FEDERAL ASSISTANCE TO SMALL BUSINESS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EXPORT OPPORTUNITIES AND SPECIAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

WASHINGTON, D.C., SEPTEMBER 22 AND 23, 1981

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
80-826 O WASHINGTON: 1982

H721-17

COMMITTEE ON SMALL BUSINESS

PARREN J. MITCHELL, Maryland, *Chairman*

NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
HENRY B. GONZALEZ, Texas
JOHN J. LaFALCE, New York
BERKLEY BEDELL, Iowa
FREDERICK W. RICHMOND, New York
HENRY J. NOWAK, New York
THOMAS A. LUKEN, Ohio
ANDY IRELAND, Florida
IKE SKELTON, Missouri
BILLY LEE EVANS, Georgia
CHARLES W. STENHOLM, Texas
ROMANO L. MAZZOLI, Kentucky
NICHOLAS MAVROULES, Massachusetts
GEORGE W. CROCKETT, Jr., Michigan
CHARLES HATCHER, Georgia
RON WYDEN, Oregon
DENNIS E. ECKART, Ohio
BYRON L. DORGAN, North Dakota
GUS SAVAGE, Illinois
BUDDY ROEMER, Louisiana
JOHN G. FARY, Illinois

JOSEPH M. McDADE, Pennsylvania
SILVIO O. CONTE, Massachusetts
J. WILLIAM STANTON, Ohio
WILLIAM S. BROOMFIELD, Michigan
DAN MARRIOTT, Utah
LYLE WILLIAMS, Ohio
OLYMPIA J. SNOWE, Maine
DANIEL B. CRANE, Illinois
JOHN HILER, Indiana
DAVID MICHAEL STATON, West Virginia
VIN WEBER, Minnesota
HAL DAUB, Nebraska
CHRISTOPHER H. SMITH, New Jersey
ED WEBER, Ohio
DAVID DREIER, California
GUY V. MOLINARI, New York
MARK D. SILJANDER, Michigan

MAJOR L. CLARK III, *Staff Director*
THOMAS G. POWERS, *General Counsel*
LOIS LIBERTY, *Publications Specialist*
RAYMOND S. WITTIG, *Minority Counsel*

SUBCOMMITTEE ON EXPORT OPPORTUNITIES AND SPECIAL SMALL BUSINESS PROBLEMS

ANDY IRELAND, Florida, *Chairman*

IKE SKELTON, Missouri
CHARLES W. STENHOLM, Texas
RON WYDEN, Oregon
GEORGE W. CROCKETT, Jr., Michigan
NEAL SMITH, Iowa

WILLIAM S. BROOMFIELD, Michigan
DAVID MICHAEL STATON, West Virginia
ED WEBER, Ohio
DAVID DREIER, California

STEPHEN P. LYNCH, *Subcommittee Staff Director*
MARVIN W. TOPPING, *Minority Subcommittee Professional Staff Member*

CONTENTS

	Page
Hearings held on:	
September 22, 1981	1
September 23, 1981	49
Ireland, Hon. Andy, chairman, Subcommittee on Export Opportunities and Special Small Business Problems: Opening statements	1, 49
Testimony of:	
Bierman, John D., Senior Vice President, Export-Import Bank of the United States	79
Cook, Clyde C., Assistant Administrator for Supply Services, Veterans' Administration	43
Evans, Stuart J., Director, Office of Procurement, National Aeronautics and Space Administration; accompanied by Floyd Roberson, Director, Technology Transfer Division, and Eugene Rosen, Small Business Adviser	22
Madison, William, Director, Office of Small and Disadvantaged Business Utilization, General Services Administration	13
Spann, Charlotte Brooks, Director, Office of Small and Disadvantaged Business Utilization, Department of the Interior	2
Terry, Walter C., Director, Office of Small and Disadvantaged Business Utilization, Department of Labor	66
Williams, Bernice, Director, Office of Small and Disadvantaged Business Utilization, Department of Housing and Urban Development; accompanied by Craig Durkin, Deputy Director, Office of Procurements and Contracts, and Alan Coffey, Deputy General Counsel	49
Additional material supplied for the hearing record:	
Bierman, John D., Senior Vice President, Export-Import Bank of the United States: Information regarding 2-day briefing sessions	84
Cook, Clyde C., Assistant Administrator for Supply Services, Veterans' Administration: Responses to subcommittee queries	47
Evans, Stuart J., Director, Office of Procurement, National Aeronautics and Space Administration:	
Prepared statement with attachments	22
Responses to subcommittee queries	42
Madison, William, Director, Office of Small and Disadvantaged Business, General Services Administration: Additional testimony	20
Spann, Charlotte Brooks, Director, Office of Small and Disadvantaged Business Utilization, Department of the Interior: Responses to subcommittee queries	10
Terry, Walter C., Director, Office of Small and Disadvantaged Business Utilization, Department of Labor: Letter and additional information	76
Williams, Bernice, Director, Office of Small and Disadvantaged Business Utilization, Department of Housing and Urban Development:	
Additional information	60
Prepared statement with attachments	51

FEDERAL ASSISTANCE TO SMALL BUSINESS

TUESDAY, SEPTEMBER 22, 1981

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EXPORT OPPORTUNITIES
AND SPECIAL SMALL BUSINESS PROBLEMS,
COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2359–B, Rayburn House Office Building, Hon. Andy Ireland (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN IRELAND

Mr. IRELAND. Good morning everybody. I am glad to see you all in here. Today we begin a series of hearings on Federal assistance to small business. The Small Business Act declares that the Government should aid, counsel, assist, and protect small business concerns. Our subcommittee has decided to undertake an extensive survey to find out exactly what our Federal agencies and departments are doing to carry out this act.

Many of our Federal agencies and departments have set up specific programs or special offices to specifically aid small business. However, many of our small businessmen and women simply don't know such programs exist. It is our intention to correct this situation. I plan to compile a hearing record and issue a final report which will be an informative guide to small business in their attempts to find their way through the Federal bureaucratic maze.

Today we start off our hearings with representatives from the Department of the Interior, the General Services Administration, the National Aeronautics and Space Administration, and the Veterans' Administration. Tomorrow we will meet again at 9:30 a.m. and hear from the Department of Housing and Urban Development, the Department of Labor and the Export-Import Bank.

Before we get started, Mr. Topping, do we have any members from the minority side that want to submit a statement at this point?

Mr. TOPPING. No, Mr. Chairman.

Mr. IRELAND. With that out of the way, Charlotte Spann, Director of the Office of Small and Disadvantaged Business Utilization, would you step forward please. We are glad to have you.

TESTIMONY OF CHARLOTTE BROOKS SPANN, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, DEPARTMENT OF THE INTERIOR

Ms. SPANN. Thank you. Good morning, Mr. Chairman and members of the subcommittee. I am Charlotte Brooks Spann, Director of the Office of Small and Disadvantaged Business Utilization in the Department of the Interior.

I welcome this opportunity to submit testimony in response to your invitation to Secretary Watt, to discuss the Department of Interior's support of small business and, in particular to respond to the specific inquiries raised in your letter of September 3, 1981.

The Department of the Interior is especially proud of its strong and effective small business program. During each of the past 4 fiscal years, the Department has awarded more than 40 percent of its total procurement dollars to small business. This record is well above the national average, which for fiscal year 1980 was 23.6 percent.

For the record, I shall respond to items A through E in the same sequential order in which they were presented in your letter of September 3. Should you or the subcommittee desire additional information or further assistance, I shall be happy to respond to any of your concerns or questions.

Items A and B with regard to specific programs designed to aid small businesses and any special offices or individuals assigned to assist small business. The primary mission of the Office of Small and Disadvantaged Business Utilization in Interior is to implement and administer programs described under sections 8 and 15 of the Small Business Act, as amended by Public Law 95-507.

More specifically, OSDBU is responsible for: providing departmentwide liaison and coordination in all matters related to small and disadvantaged businesses; assisting bureaus and offices in the development and implementation of policies and procedures required by sections 8 and 15 of the Small Business Act and other authorities, including the establishment of goals and the reporting of accomplishments; consulting regularly with the Small Business Administration concerning the interpretation and functional requirements of sections 8 and 15 of the Small Business Act; providing training and education to Department personnel whose functional responsibilities relate to the implementation of sections 8 and 15 of the Small Business Act; researching, developing, and publishing informational brochures and documents relating to Interior's small and disadvantaged business programs; conducting outreach seminars and providing ongoing liaison services and assistance to small, disadvantaged, labor surplus area, and women's business enterprise concerns; initiating the development and publishing of procurement policy, procedures, and guidelines as they relate to the implementation of Interior's small and disadvantaged business programs; conducting reviews of determinations of proposed rulemaking activity to determine their significance and economic impact on small entities, including small businesses, in accordance with the requirements of the Regulatory Flexibility Act; providing continuous technical assistance and guidance to bureaus and offices in support of their efforts to meet mission objectives

and increase opportunities for the target groups of Interior's procurement preference programs.

Mr. Chairman, these are some of the more critical functions and responsibilities in support of small businesses that fall under the direct purview of my office. In addition, each of our major buying offices having annual procurements of $20 million or more is required to have at least one full-time business utilization and development specialist assigned to oversee and implement Interior's small and disadvantaged business program within their respective bureaus.

Being a diverse agency with vast responsibilities, Interior recognizes that there are other areas within the Department that also lend themselves to the active participation of small businesses. One such area is found in our Bureau of Land Management's coal leasing program.

In March 1980, the Department entered into a memorandum of understanding with the Small Business Administration in which Interior has agreed to set-aside specific tracts of federally owned coal lands for the exclusive participation of small business concerns. Within the context of that memorandum of understanding is the understanding that Interior shall make every reasonable effort to assure that a predetermined number of leasable coal tracts are set-aside for small business concerns beginning with the 1981 coal lease sales.

To date, the Department has set-aside four such tracts for the exclusive award to small businesses. In an effort to further augment the program, the Bureau of Land Management has hired a full-time small business coal leasing specialist whose primary responsibility is to represent the interests of small business under the coal lease set-aside program.

The Department of the Interior and the Small Business Administration also executed a memorandum of understanding in March 1959, which was amended in July 1966, which established the basic framework for the small business set-aside timber sales program from land administered by the Bureau of Land Management.

The Department's authority for initiating this as well as the coal lease set-aside program is the Small Business Act of 1958 which declares that a fair portion of the total sales of Government property shall be made to small business enterprises. The Department's set-aside program for timber sales has been functioning in western Oregon since 1974 where BLM timber sales total approximately 1.1 billion board-feet annually. Over the past 5 years, 25 percent of such sales have been set-aside for the exclusive participation of small businesses.

In May 1980, the Department of Interior published a final rule outlining specific affirmative action that would be taken to carry out the requirements of section 17 of the Alaska Natural Gas Transportation Act. The rule essentially states that no person shall be excluded on the grounds of race, creed, color, national origin or sex from participating in any activity connected with the construction or operation of the Alaska Natural Gas Transportation System. One of the primary objectives of the rule is to substantially increase the procurement and subcontracting opportunities for

small, minority and women owned businesses. This rule is being implemented by the Office of the Federal Inspector.

Item C: With regard to any publication of interest to small business. In December 1980, the Department published a contracting guidebook, entitled "This is Interior." The primary purpose of this 55-page guidebook was to assist small and disadvantaged businesses in their marketing efforts with the Department of Interior.

The guidebook identifies the major buying offices within Interior, including a brief narrative description of the primary goods and services purchased by each office. Further, it includes the names, addresses, and telephone numbers of key contracting officers and business utilization and development specialists. The guidebook has been well received and highly praised by the small business community. And, more than 5,000 copies have been issued to date.

Within the past 2 months, the Department developed and published a 53-page small business research and development directory for use as an R. & D. source aid for departmental program and procurement officials. This directory contains a list of small business R. & D. firms having capabilities unique to those needed to meet Interior's natural resource R. & D. contractual requirements. The directory which is categorized by States, gives the name and telephone number of the key contact person, and a brief description of each firm's research and development capabilities. As a corollary to this effort, we are also in the process of developing and publishing a list of all of the Department's research and development programs, including an identification of the Department's major R. & D. buying offices, a brief description of the activities of each office, and the name and telephone number of the key contact person. This project was scheduled for completion on September 30, 1981, after which the booklet will be published and appropriately distributed to the small business research and development community.

Last, the Department has recently published a guide to business and economic development programs. This is essentially a 4-page document containing the authority and organizational profile of the Office of Small and Disadvantaged Business Utilization, including a breakdown of its mission and objectives as well as recent selected program achievements.

Item D: With regard to any significant actions recently undertaken or planned in the near future to assist small businesses. One of the more significant actions being planned by the Department to assist small businesses is the establishment of a small business class set-aside for selected categories of Interior's research and development and architectural and engineering requirements. We recently concluded a comprehensive study of our R. & D. and A. & E. programs in an effort to determine the feasibility of establishing class set-asides for Interior R. & D. and A. & E. requirements. The results of the study have been analyzed and the Department is planning, as one of its fiscal year 1982 objectives to propose the establishment of a class set-aside for all A. & E. requirements of $50,000 or less. A. & E. requirements of more than $50,000 would be set-aside on a case-by-case basis at the discretion of the contracting officer. In concert with this objective, the Department is also planning to propose a 1-year pilot program for a class set-aside of or specific categories of R. & D. requirements.

The Department will propose as another of its fiscal year 1982 objectives, to increase the departmental dollar threshold for the class set-aside of construction requirements from its current threshold of $750,000 to $1 million. Construction requirements of more than $1 million would be set-aside on a case-by-case basis at the discretion of the contracting officer.

The OSDBU is planning a series of comprehensive training sessions for procurement and program officials as well as business utilization and development specialists on all aspects of its four major business and economic development programs. The training sessions are presently scheduled to be conducted in Denver, Colo.; Portland, Oreg.; and Phoenix, Ariz.; during the month of November.

Interior recently initiated action to establish an interagency agreement with the Small Business Administration which outlines in detail the various ways in which Interior can better utilize SBA's existing small business, disadvantaged and women's business enterprise program resources. The proposed agreement also outlines the parameters within which SBA will agree to provide additional expertise and support to Interior's related programs.

An additional area in which the Department will focus a high degree of attention in fiscal year 1982 is in the area of subcontracting. The Department strongly believes that a large number of small businesses have not taken full advantage of those subcontracting opportunities that exist within the Department's overall procurement program. Consequently, a concerted effort will be made by OSDBU to assist Interior's contracting and procurement officials in their review and evaluation of subcontracting plans as well as their efforts to oversee and monitor subcontracting plan compliance so as to insure that small businesses and small disadvantaged businesses are given maximum opportunities to actively participate in the Department's subcontracting program.

Other activities of the Department which would be of direct interest to the small business community. The Department of Interior plans to maintain its excellent record of providing outreach and assistance to the small business community on a regular and continuous basis.

We are committed to the annual conduct of special outreach efforts such as the recent minitrade fair conducted in May of this year in observance of small business week. Members of my staff, as well as myself, make it a point to represent the Department at major conferences, seminars, workshops, symposiums, and so forth, given annually by small and disadvantaged and women owned business trade associations.

The Department is not just a spectator at such events, but we purchase booth space and provide a variety of useful contracting information and handouts detailing small business procurement opportunities within the Department.

The Department has also adopted the Small Business Administration's Procurement Automated Source System (PASS) as its primary source for locating and identifying small business concerns. The Department's U.S. Geological Survey at the Denver Federal Center, which is a major buying area within the Department, has acquired its own PASS terminal to assist Interior con-

tracting and procurement officials in the Denver area in their continuing efforts to locate and identify small business sources.

Mr. Chairman, I have attempted to summarize for you some of the strong and aggressive steps being taken by the Department of the Interior in support of small businesses. We, at Interior, firmly believe that the general health of small business is inextricably tied to the general health of the Nation's economy. It, therefore, stands to reason that when we tend to the needs of small business in this country, we build a more vital economic fabric which, in the long run, benefits the Federal Government as a buyer, the individual consumer, and the hundreds of big businesses that rely on small business to supply the cogs which keep the wheels of their large organizations moving.

Thank you for this opportunity to testify, Mr. Chairman.

Mr. IRELAND. Thank you, Ms. Spann, for your encouraging report. Let me ask you one or two questions. All the way through your testimony, you obviously have been in contact with the Small Business Administration. I don't mean by this question that I want one agency to rattle on another, but did you find the SBA cooperative in your dealings with them? How is the liaison working out with them?

Ms. SPANN. Mr. Chairman, the liaison is working effectively. My staff and I have made it a point to get to know the key officials in the Small Business Administration who can make things happen so that we can call them on the telephone or go over and meet with them. Sometimes they do slow down and we don't necessarily get answers as fast as we would like to. Some of our bureaus have problems. When they do and they let us know, we are able to pick up the phone and call any official at the Small Business Administration to get immediate assistance with that problem.

Mr. IRELAND. Do you utilize the counsel at Advocacy's Office a great deal?

Ms. SPANN. No; we have not utilized that office a great deal. As a matter of fact, in the Regulatory Flexibility Act responsibilities which we have, we have been trying to get the Small Business Office of Advocacy to assist us in describing or defining small entities; that is, other than small business, because they also have a responsibility for reviewing these rules. We may feel quite confident and knowledgeable about small businesses, but when we began to try to define small counties, cities and those kinds of things, then we think we need the assistance of that kind of office to assist in determining how a rule may impact on other small entities.

Mr. IRELAND. Has SBA had anyone come to you about any one of these subjects? Or is it that you are always going to them?

Ms. SPANN. About 2 years ago, the Office of Advocacy did come to us asking us to respond to them on initiatives and what kinds of things we were doing to assist small business. And, we responded to them. If I recall, that was about 2 years ago. There has not been anything recently.

Mr. IRELAND. In other words, your program is pretty well self-started in your agency?

Ms. SPANN. Yes.

Mr. IRELAND. Have you set up any programs within your agency to aid small business that were unsuccessful for one reason or another?

Ms. SPANN. Not so far. My office was only established a little less than 2 years ago. At that time, we assumed the responsibility for the small business advocacy in the Department. So that, most of what we have described to you is new. And, it seems to be working. We will, I think, know more when we publish our rules and additional set-asides for small businesses as to what kinds of problems there might be in the general business community that may be favorable or unfavorable to additional set-aside for small business. But, right now, really we have not had any problems internally.

Mr. IRELAND. Mr. Weber?

Mr. WEBER. I was interested, Mr. Chairman, in the proposal to have a small business set-aside for architectural and engineering firms. What would be your definition of small in the architectural, engineering classification?

Ms. SPANN. I do not know the exact criteria; however, the Small Business Administration has a specific criteria for a small architect-engineering firm. We would use their criteria.

Mr. WEBER. I was contacted by one of the architectural-engineering firms in my home city of Toledo, which does not meet the definition of small any longer. They raised the question, in our effort to assure access to small architectural engineering firms, have we gone so far that there is nothing left for all the firms. In going down through the list of contracts to be awarded to architectural engineering firms, they found almost none that were not set-aside for small business in their experience. That is something we need to look at.

My understanding is, from what I've been told, 95 percent of the A. & E. firms are small. That remaining 5 percent are virtually closed out of most of the A. & E. work that the Government is now granting. That is something we need to be concerned about, because regardless of how large an A. & E. firm may be, it is still a team of about five or six people who are doing the work. You can't have 100 people, building something by committee. That is my concern.

Ms. SPANN. I think that was probably one of the concerns that was addressed to SBA when it published its proposed rules on revising size standards, in changing standards for a number of industries. That rule is still being studied in the Small Business Administration. I suspect there may be some changes sometime soon.

Mr. IRELAND. Mr. Skelton.

Mr. SKELTON. I might say, Mr. Chairman, you asked all of my questions. Let me follow through on one, if I may, Ms. Spann. What has been the least helpful area that you have encountered with the Small Business Administration?

Ms. SPANN. I think the least helpful area has not been with the small business program, but with the 8(a) program. Of course, they are small businesses also. I think that where we have had our greatest amount of problems has been with the slowness in processing contracts through the Small Business Administration, and with the slowness in getting the contracts executed by SBA once they have been negotiated by the Agency.

Mr. SKELTON. You mean days, weeks, months?

Ms. SPANN. Months in many instances.

Mr. SKELTON. What is the bottleneck?

Ms. SPANN. The bottleneck? There are many. There is a bottleneck, in some instances, in receiving approval to negotiate with an 8(a) firm. Sometimes it takes weeks, or maybe a couple of months to get that response back. The bottleneck also occurs when the solicitation is sent through SBA to the 8(a) contractor, and having the proposal returned through SBA. We have in many of our bureaus, contracting officers, who have been more aggressive and have started to send the solicitations directly to the contractor once they have gotten approval from SBA and asked for the proposal to be sent directly back to the bureau. That cuts out as much as 6 weeks in the transmittal time. Most of our bureaus are not located near an SBA office.

More recently, we have had problems with the contracts which have been negotiated and the agreement has been reached, and it has taken as much as 6 to 7 weeks to have contracts signed at SBA.

Mr. SKELTON. The whole deal has been approved?

Ms. SPANN. It has been approved.

Mr. SKELTON. Somebody hasn't put their signature on it?

Ms. SPANN. That is exactly right.

Mr. SKELTON. When you are dealing with small businesses, time means an awful lot to them.

Ms. SPANN. That is absolutely correct.

Mr. SKELTON. Do you have any recommendations, other than hiring more people that you could get to speed it up? I imagine there is a lot of frustration.

Ms. SPANN. There is a lot of frustration. There is also a lot of concern on the part of our program personnel.

Mr. SKELTON. Things like this cause people to use adjectives with the word bureaucrat.

Ms. SPANN. You are right. Our program people have a mission, objective also. They do become discouraged when it takes a very long time to get their requirement under contract. Then, it becomes more difficult to get requirements for the 8(a) program.

Mr. SKELTON. Do you think this is an area where we can ask various people some questions as to why things are so slow? Would it help you?

Ms. SPANN. Yes; it would.

Mr. SKELTON. All right. Thank you so much.

Mr. IRELAND. Mr. Dreier?

Mr. DREIER. Thank you very much, Mr. Chairman. I appreciate your holding these hearings. And, I will say that, like Mr. Skelton, you may have asked all of my questions. But, I have the advantage of being tardy, so I don't know the questions.

I would simply like to ask about the budget question for you. As we are seeing cuts come about in all of the budgets, I am curious to know if your specific budget with respect to small businesses is being impacted more or less than the overall budget in other particular areas.

Ms. SPANN. Well, I would say that small businesses will be impacted to the extent that there will be fewer contracts. We will

have fewer contract dollars in fiscal year 1982. So, there will be fewer contracts going to any business.

Mr. DREIER. What percentage would you say?

Ms. SPANN. We calculate roughly a 15-percent decrease in procurement dollars. We have just completed our goal submission for SBA for small businesses. And, there will be a 15-percent reduction in dollars approximately, as we see it now. That may change in October. However, we do see an increase in the percentage of those dollars going to small business.

In negotiating with the bureaus, we have tried, and we think we have been successful in maintaining a continually increasing percentage of dollars, even though the number of dollars may be dwindling.

Mr. DREIER. So, how does that 15-percent figure compare to other programs?

Ms. SPANN. That 15 percent is across the board in all procurement programs. That is average. In some of our bureaus, the cuts have been even more, as much as 50 percent. It will impact to some extent in the construction area.

Mr. DREIER. But, it's nothing like that for you?

Ms. SPANN. Do you mean from my office?

Mr. DREIER. Right.

Ms. SPANN. I lost two positions in my office. And, we lost about 15 percent, we had about a 15-percent cut in terms of dollars and positions.

Mr. DREIER. You started to say about construction?

Ms. SPANN. Construction will be impacted in a number of areas because we do about 45 percent of our procurement in construction. And, a couple of our bureaus which had a fairly heavy construction program have been cut severely. And, those are the bureaus that had relatively small-dollar construction requirements that were very good for the small and disadvantaged business contractors.

Then, on the other hand, we are going to, as I have said, put heavy emphasis on subcontracting because we see that as an excellent opportunity for those contractors to be able to get into the private sector.

Mr. DREIER. If we have the interest rates down. Thank you, Mr. Chairman.

Ms. SPANN. Yes.

Mr. IRELAND. The gentlemen have asked some very searching questions, regardless of the claim that I asked all the questions. And, those were exceptionally good answers. Let me ask one further comment from you.

I think we have all been impressed by that 40 percent of your total procurement dollars going to small business, particularly when the average within the Government is in the midtwenties.

We would like to be supplied with copies of the publications that you have, particularly that principal publication you mentioned. You said that 5,000 copies have been distributed. There are approximately 12 million small businesses throughout the country. Obviously, a vast number of those are not interested, eligible and whatnot for doing business with your agency. However, there are many, many small businesses which are interested and eligible

that are not receiving your publications. How do you explain your distribution process?

Ms. SPANN. Well, one of the problems—we are getting ready to reprint now, but we had a limited printing budget when we first had these printed. So, we have now issued most of these out at conferences. And, incidentally, we have attended or had attendance at most of the congressionally sponsored small business conferences throughout the country, particularly in areas where we have requirements. So, we have issued them out at conferences. We plan to have printed another 5,000, or whatever our budget will allow. We will be issuing some of them through the various associations. We have them primarily to give out when vendors come into our own offices or into our bureaus.

We want to make them available, however, through the Government Printing Office for sale. We would like to do that this year, since we have had such favorable response. That way they will be available in areas that we may not be able to reach.

Mr. IRELAND. Do you anticipate any problem in having it on the GPO list?

Ms. SPANN. No. They told me that if we will give them a quantity and if they sell so many within a period of time, then they will print them themselves for sale. First, we have to give them copies. If they do sell, then they will print them.

Mr. IRELAND. Thank you for your excellent testimony. We appreciate it very much.

[Questions submitted to the Interior Department and their responses follow:]

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EXPORT OPPORTUNITIES
AND SPECIAL SMALL BUSINESS PROBLEMS,
COMMITTEE ON SMALL BUSINESS,
Washington, D.C. October 23, 1981.

MS. CHARLOTTE BROOKS SPANN,
Director, Office of Small and Disadvantaged Business Utilization,
Department of the Interior, Washington, D.C.

DEAR MS. SPANN: I appreciate you taking the time to appear before my Subcommittee on September 22 to inform us as to what the Department of Interior is doing to assist small business. As we discussed at the hearing I would like you to answer a few more questions so we could have this information for the record.

1. How will the budget cuts affect the programs you have set up to aid small businesses? Specifically, where in the programs will you find the cuts taking place?
2. What proportion of Interior's budget is now going toward your small business programs?
3. Do you anticipate any changes in the formula for small business timber harvesting set-asides in national forest areas managed by your Department?
4. What types of assistance programs are available to small timber harvesters?
5. Is Interior planning to subcontract a larger percentage of national park maintenance work to small contractors?
6. How are you attempting to simplify the policies and contracting procedures you are currently using so as to encourage more small business participation?
7. Do you feel you are doing enough to help our small businesses or does more need to be done?
8. Will what you're doing now survive?
9. Are the following programs still in existence in your agency? If not, why not? If they are, how effective are they?
   (a) Aircraft Services Program
   (b) Small Business Class Set-Asides Program for:
      1. Stock water troughs
      2. Underground storage tanks
      3. Plastic pipe (PE and PVC)

4. Aerial photography
5. Bentonite
6. Cattle guards
7. Construction costs, up to $1,500,000
8. Equipment rental (including aircraft)
9. Sand, gravel, aggregate, and ready-mix concrete
10. Soil tillers and similar equipment
11. Land treatment work (plowing, seeding, brush removal, and the like)
12. Wood fence posts
13. Janitorial services
14. Recreational site maintenance

(c) Federal Royalty Oil Program.

I would like to receive your response no later than November 13. I look forward to hearing from you.

Sincerely,

ANDY IRELAND,
Chairman.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., February 3, 1982.

Hon. ANDY IRELAND,
Chairman, Subcommittee on Export Opportunities and Special Small Business Problems, Committee on Small Business, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of October 23, 1981, and the opportunity to provide you with additional information on the Department of the Interior's efforts to aid and assist small business. For purposes of clarity and simplicity, we are submitting our response to your questions in the same sequential order in which they are presented in your letter:

Response to question No. 1.—We do not anticipate that there will be any significant adverse impact on our small business procurement preference programs. However, we do anticipate that in terms of the Department's total fiscal year 1982 procurement expenditures, there will be fewer dollars available. Our small business goal for fiscal year 1982 is to maintain the same percentage of contract awards to small business, even though there will be fewer contract dollars available. One potential area of budget cuts that could have an adverse impact on the Department's ability to appropriately monitor and implement its small business program is in the area of travel funds. You may recall that during our testimony of September 22, 1981, we stated that subcontracting is one of the areas in which we intended to focus some time and effort during fiscal year 1982. In this regard it is therefore essential that we conduct on-site visits and reviews of our large business prime contractors in order to assess and evaluate their compliance with the subcontracting provisions of Public Law 95-507.

Response to question No. 2.—As we also mentioned during our September testimony before your Committee, the Department of the Interior, through its small business programs, has awarded more than 40 percent of its total procurement budget to small businesses for each of the past four fiscal years. For fiscal year 1982, we are currently projecting a goal of $449.5 million in prime contract awards of $10,000 or more to be awarded to small business concerns. This will represent approximately 46 percent of our total estimated procurement budget of $1.3 billion for fiscal year 1982.

Response to question No. 3.—Based on the latest formula which was computed in 1978, approximately one-half of our total timber sales are set-asides for small businesses. Our next computation is scheduled for 1983 and no major changes are anticipated at that time.

Response to question No. 4.—At present, there is one assistance program available to small timber harvesters. Pending the availability of additional funds, the Small Business Administration plans to provide loans to small timber harvesters to build roadways in the timber areas.

Response to question No. 5.—To the extent that it is practicable, feasible, and cost-effective, the Department will contract out more of its National Park maintenance work to small business contractors. At present, most of the Department's park maintenance work is provided by its own in-house personnel. The National Park Service is conducting A-76 reviews in many of the park areas. Decisions on whether

maintenance should be contracted out or remain in-house cannot be made until the results of the reviews have been approved.

Response to question No. 6.—The Department of the Interior is planning to implement a number of fiscal year 1982 initiatives which we believe will have the effect of simplifying our procurement policy and contracting procedures as well as providing greater opportunities for small business concerns to participate in our procurement preference programs. One such initiative is the proposed establishment of a small business class set-aside program for selected categories of Interior's research and development requirements, and of all architectural and engineering requirements of $50,000, or less. In addition, we are planning to raise the dollar threshold for the class set-aside of Interior's construction requirements from its current threshold of $750,000 to $1 million. Further, we are planning to develop and publish a comprehensive 8(a) contractor's handbook which will be designed to enable 8(a) contractors to better understand the 8(a) procurement process as they continue to expand their marketing efforts within the Department.

Response to question No. 7.—We believe that the Department of the Interior has made tremendous strides over the past four years in its continuing effort to aid and assist small businesses. Obviously, if small businesses are to continue making positive and significant contributions to the economic well being of the nation, appropriate efforts must be made to assure that this monitoring is sustained. Since Interior recognizes that economic necessity dictates that we operate under tighter budget constraints, we are seeking more innovative and creative ways of achieving our small business objectives.

Response to question No. 8.—We are reasonably confident that notwithstanding the expected environment of scarce resources and compelling priorities our efforts to assure that small businesses are provided an opportunity to participate in our programs will continue.

Response to question Nos. 9(a) (b) and (c).—9(a). Our Office of Aircraft Services (OAS) does not have a program to assist small business that is separate or distinct from the small business program promulgated by the Department. However, in support of the Department's Small Business Program, OAS, along with our remaining bureaus and offices are encouraged to establish aggressive goals and prioritize contract awards to small and small disadvantaged business concerns.

9(b). Our Bureau of Land Management (BLM) has established a class set-aside program for small businesses for a limited category of selected commodities and/or services. The BLM program is effective in the sense that all BLM requirements for services or commodities that fall within the class set-aside category are reserved exclusively for small businesses. The Department is currently in the process of proposing the implementation of its own class set-aside program for a selected category of commodities and/or services to further enhance opportunities for small businesses to participate in Interior's procurement program.

9(c). The Federal Royalty Oil Program which is administered by our U.S. Geological Survey is still in existence and until recently has proven to be both effective and of considerable benefit to owners of small oil refineries. However, recent changes in the price structure of crude oil under decontrol has resulted in a "fair market value" that makes the price of crude oil under the program less attractive and, in some cases, has rendered operation of the refineries economically less viable. A number of small oil refineries have actually volunteered to be released from contracts due to diminishing profits and the prohibitive cost of operation. However, we believe this to be a short-term problem and that the situation will eventually stabilize itself to a point where small refineries will again become an integral part of the Federal Royalty Oil Program.

Sincerely,

RICHARD R. HITE,
(for J. Robinson West,
Assistant Secretary, Office of
Policy, Budget and Administration).

Mr. IRELAND. Our next witness is Bill Madison, Director of Office of Small Disadvantaged Business Utilization, GSA. Welcome.

TESTIMONY OF WILLIAM MADISON, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, GENERAL SERVICES ADMINISTRATION

Mr. MADISON. Good morning, Mr. Chairman, members of the subcommittee. I am William Madison, Director of the Office of Small and Disadvantaged Business Utilization for the General Services Administration. Thank you for the opportunity to appear before you today to discuss GSA's implementation of the small business programs.

I am here today to emphasize my commitment and the commitment of Gerald Carmen, the Administrator of the General Services, to the small business programs. I believe very strongly that small and disadvantaged business firms must be given the maximum practical opportunity to participate in contract awards by the Federal Government. The economic success of this country can be attributed in no small part to the vigor and enterprise of our small businesses. With that brief statement, Mr. Chairman, I will address the issues presented in your letter of September 3, 1981, inviting us to appear before this subcommittee.

First, programs specifically designed to aid small businesses: The business service center program is GSA's primary outreach activity to the small business community. There are 13 business service centers, one located in each of our regional headquarters cities, and one in Houston, Tex., and one in Los Angeles, Calif. These one step centers offer to interested small business concerns information on the types of products and services purchased by GSA, along with indepth counseling on the competitive bidding process, methods of marketing goods and services to the Government, and how to take advantage of special assistance programs.

During fiscal year 1980, our business service center conducted 144,000 counseling actions, 89 percent of these or 129,000 were with small business firms, nearly a quarter of which were minority owned. To date in fiscal year 1981, our business service centers have conducted 87,136 counseling sessions; 90 percent of these were with small business firms.

A unique initiative of the business service center is the circuit rider program. The purpose of this program is to reach those small business persons who are not located in a GSA regional city. Each fiscal year, GSA representatives schedule periodic visits to provide counseling and assistance to firms interested in contracting with GSA and other Federal agencies. These visits are normally coordinated with other Government agencies, local chamber of commerce, congressional district offices and organizations in each location.

Maximum publicity is given these visits through the local media, and direct mail invitations to known small business firms. During fiscal year 1981, our Transportation and Public Utilities Service held seven 1-day transportation seminars for minority motor carriers. These seminars were aimed at increasing small minority firms' participation in Federal motor carrier contracts by acquainting the firms with the transportation requirements of GSA and other Federal agencies.

89-526 O - 82 - 2

Officials from the ICC and the Small Business Administration also participated in these seminars. ICC officials provided information on the Motor Carrier Act of 1980, ICC reporting on security requirements and operating permits and authorities. SBA personnel offered advice on obtaining financial aid and management assistance.

In September 1979, the Departments of Commerce, Housing and Urban Development, Labor, the Small Business Administration, and the General Services Administration selected New York City, Detroit, Mich., Buffalo, N.Y, and Lawrence-Haverhill, Mass., to participate in the labor surplus area demonstration outreach program. This pilot program was initiated to test a new tool for local economic development agencies to use in increasing employment roles, stabilizing crucial sectors of a local economy and expand on the capabilities of local industries. The demonstration program supplements traditional development programs, it enables local agency officials to directly assist small businesses in opening up new markets for sales, in particular, the Federal marketplace.

The Public Buildings Service of GSA has unilateral small business set asides on all construction contracts from $2,500 to $500,000. PBS has also established a class set-aside for its procurements for construction including alteration, maintenance and repairs estimated to cost between $500,000 and $1 million.

Second, any special offices or individuals assigned to assist small business: On April 17, 1979, GSA formally established its Office of Small and Disadvantaged Business Utilization. On April 22 of that year, I was appointed Director of this office. I should add that, I am being modest, I have 20 years of Government procurement experience to assist me in overseeing GSA's procurement preference programs.

As Director of the Office of Small and Disadvantaged Business Utilization, I report to the Deputy Administrator, and I am responsible only to him on all matters concerning sections 8 and 15 of the Small Business Act. My Office is also affiliated with GSA's Office of Acquisition Policy which means that it is in a position to influence all agencywide and some governmentwide policies which impact on the entire small and minority business community.

To insure the full implementation of Public Law 95-507, we have assigned small business technical advisers to six of our regional offices and in our Federal Supply Service. These technical advisers assist the SBA procurement center representatives in reviewing GSA procurements and identifying additional opportunities for participation of small and disadvantaged businesses in doing business with GSA. We have gone beyond the requirements of Public Law 95-507, Mr. Chairman, by designating our Assistant Regional Administrators for External Affairs as the Regional Directors for Small and Disadvantaged Business Utilization. These officials are responsible for overseeing the implementation of all the procurement preference programs in his or her region. In that regard they provide to my office a monthly status report which highlights their region's accomplishments.

Mr. Chairman, my office also plays an important agencywide and governmentwide role implementing the labor surplus area program. Within GSA we worked with the Office of Public Affairs to

coordinate the mailing of letters advising our Nation's Governors about the LSA program; encouraging their State's active participation in the program; and, requesting that State and local officials and interested businessmen and women contact one of GSA's 13 business service centers for additional information.

In addition, I or members of my staff have met with each of GSA's Commissioners and Regional Administrators to encourage their active support for the LSA program.

Let me now review with you some of the significant accomplishments we have achieved in the LSA program:

In August 1979, GSA established the Labor Surplus Committee. I serve as the chairman of this committee composed of senior procurement officials from the 15 major Federal procurement agencies or departments. The purpose of this committee is to coordinate the development of policies and procedures governing operation of the LSA program.

In accordance with Public Law 96-302 and Executive Order 12073, we successfully negotiated fiscal years 1979, 1980, and 1981 LSA targets with the head of civilian executive agencies. In fiscal year 1979, $1.2 billion was the governmentwide target. Though our actual performance in fiscal year 1979 fell short of the goal, we were very proud that the civilian agencies set asides totaled approximately $500 million. This figure represented a doubling of the Government's best performance to date. In fiscal year 1980, $1.3 billion was established as the Government LSA target.

However, again, we did not achieve the established goal, but the civilian agencies were successful in making set asides totaling $1 billion. We believe that these statistics indicate that under GSA's active leadership, there has been substantial improvement in the Government's LSA performance and we are confident that we will achieve our fiscal year 1981 target of $1.5 billion.

The small business information centers are another example of a GSA program designed to assist small business owners. These centers operate in 100 major metropolitan areas across the country. They provide to local small business firms information and referral assistance on U.S. Government contracting opportunities nationwide. These centers also provide small business concerns with information pertaining to the assistance programs operated by other Federal agencies and departments, that is, the Small Business Administration, Department of Commerce, and Department of Transportation.

Third, any publications we offer to interested small business: We have several publications which are directed to small business concerns. To name a few: "Preferential Contracting," August 1981; "Doing Business With the Federal Government; Contract Opportunities for Maintenance and Repair of Equipment." We have prepared many other pamphlets which would be of a general interest to small business concerns, such as the "Federal Surplus Personal Property Sales Program, Washington, D.C.," "Federal Buying Director, and Index of Federal Specifications and Standards," just to name a few. The publications for the General Services Administration, issued September 1979 and available from the GSA, Office of Public Information, gives a complete listing of all publications promulgated by the Agency.

Finally, any significant actions we have recently undertaken or plan to take in the near future to assist small business: During fiscal year 1981, GSA's primary outreach initiatives focused upon the sponsorship of a series of trade fairs which: One, highlighted procurement opportunities available for small and disadvantaged businesses; two, demonstrated the types of goods and services purchased by GSA and other Federal agencies; and three, highlighted the subcontracting opportunities for small businesses through major U.S. Government prime contractors.

These events were conducted in Atlanta, Ga., in October 1980; Philadelphia, Pa., in May 1981; and Houston, Tex., in August of this year. Attendees from the small business community received indepth information on subjects ranging from how to complete invitations for bids issued by Government agencies, to how to take advantage of assistance programs offered by the Government. Direct counseling for small business firms was provided by GSA contracting officials, representatives of Department of Defense and other Government buying activities, SBA representatives, and members of local government purchasing offices.

Recently, my office and Automated Data and Telecommunications Service sponsored a conference to: One, promote a better understanding of GSA's procurement policies and procedures for firms in SBA's 8(a) portfolio; two, develop better communication among 8(a) contractors, GSA, and Small Business Administration development specialists; and three, identify possible 8(a) procurement opportunities within ADTS.

In the first quarter of fiscal year 1982, we plan to have in place a memorandum of understanding between GSA and SBA. The memorandum of understanding will further define GSA and SBA's functions and responsibilities in support of the section 8(a) program. It is our feeling that this agreement will facilitate that expeditious placement of contracts with certified socially and economically disadvantaged small business concerns.

We are in the final stages of developing a GSA order to establish a procurement preference program council in each of our regions and in the central office services involved in the procurement process.

The councils are designed to increase the participation of small businesses, women owned businesses, businesses owned and controlled by socially and economically disadvantaged persons, businesses owned by the blind and the severely handicapped, and businesses located in labor surplus areas in GSA's overall procurement program.

The councils' primary purposes are to develop procurement preference program goals each fiscal year; to facilitate and insure attainment of these goals through analysis of monthly goals achievements reports; to insure orderly and timely implementation of directives and regulations related to preference program acquisition; and to identify problem areas related to the procurement preference program process for recommendation to the chairperson and myself for appropriate action.

This concludes my testimony, Mr. Chairman. I am happy to have had the opportunity to appear here today to articulate GSA's com-

mitment to the small business programs. I will be pleased to answer any questions you may have.

Mr. IRELAND. Thank you, Mr. Madison. You are obviously stirring up a good bit of dust in the areas we are interested in. Let me ask you, as I did Ms. Spann, your relation with SBA. What kind of service are you getting there and to what extent has the SBA, through the advocacy office or otherwise, come to you to initiate things that can be done?

Mr. MADISON. We have an excellent relationship with SBA, especially at the central office level. I, like Ms. Spann, make it my business to go over there and get to know the people with whom we deal. We are trying to promote that same kind of relationship in our regional offices. Inasmuch as we have procurement center representatives housed in six of our regional offices, that gives us a pretty good tool to get in there and get the kind of support we need from SBA.

If I had to describe an area of concern, I, like Ms. Spann, would like to see changes made in the 8(a) program, a good example was during the first three quarters of fiscal year 1981, we offered to the SBA contracting opportunities that were in excess of $14 million, all of which were rejected for one reason or the other. Now, that is critical to me. That, at the end of this fiscal year I, like every other agency, must go before the House Committee on Small Business to say why we did or did not meet our goals. It seems obvious to me, if we carve out $14 million of potential business from small businesses that is going to severely impact on our ability to meet our goals.

I would like to see, like Ms. Spann, more timely response from SBA. The process alone is unbelievable. You have to get the district approval, the regional approval, the central office approval, and now, the head of the Agency approval. This can be critical when the procurement is one that has to be awarded immediately, or if you are winding down toward the fiscal year.

So, I would like to see some changes in that area. SBA calls me over quite often and asks for my opinion and my suggestions. I am very vocal and I certainly offer those suggestions to the SBA. But, if this subcommittee can, in any way, expedite the process of identifying, specifically awarded and reducing the time associated with 8(a) contracts, it would be quite helpful.

Mr. IRELAND. Can you characterize why the $14 million was turned down?

Mr. MADISON. In some cases, the rejects were legitimate. We could have made an offering in the area where they say there was no firm in the portfolio with the capability to handle that requirement. I found it difficult to believe, and I made that known to the SBA. Inasmuch as GSA is about buying pencils and pens and desks, cleaning and maintaining buildings, driving trucks, and those kinds of things, I sort of found that hard to accept.

Like I indicated earlier, the SBA is aware of this early on because I let them know that I plan to use this when I go before them to start negotiating my goals for the upcoming year.

Mr. IRELAND. In the area of publications and distribution, what is your feeling as to whether you are really getting to the small business community? Are we getting to them and they are not responding?

Mr. MADISON. Yes; I think we are getting to them. As I indicated in my testimony, we operate the business service centers where people come to us asking information on how to do business, not only with GSA, but the entire Government. We made distribution of our publications at that time and an information kit. When we go out to hitherlands to meet with small groups of people in the courthouse or wherever, we make distribution of the documents there.

Our business information centers are located in 100 cities throughout the country, they also have an information kit which distributes these publications. So, we are probably in a better position than other agencies to make distribution of our publications because we are so widespread. But, again, like other agencies, we do have difficulty locating small, and disadvantaged businesses, and women-owned firms.

Mr. IRELAND. Mr. Weber?

Mr. WEBER of Ohio. Mr. Madison, you have a very impressive record in carrying out the mandate of the act.

How much is this costing to do these things? Can you tell us what the budget—do you have the figures on that?

Mr. MADISON. Does your question relate to the outreach effort?

Mr. WEBER of Ohio. No; the cost of the different programs that you have outlined for us.

Mr. MADISON. No; I don't at this point. I will be glad to put something like that together to furnish it for the record.

Mr. WEBER of Ohio. I would be interested in knowing. Obviously, this is costing something, and we talk a lot about cost-benefit and that sort of thing. I would be very interested in knowing what the cost of compliance in carrying out the mandate that has been given to you is, and what proportion of the GSA budget is going into these activities.

Mr. MADISON. That would be very difficult to gather.

Mr. IRELAND. We would appreciate that.

Mr. WEBER of Ohio. Do you have any kind of ball park figure or estimate?

Mr. MADISON. No, I don't, sir.

Mr. WEBER of Ohio. I am not being critical. It is just simply a neutral question. I think it is one of those things that we have to keep in mind—for every benefit there is a cost.

Thank you, Mr. Chairman.

Mr. IRELAND. Mr. Dreier.

Mr. DREIER. Thank you, Mr. Chairman.

I am also impressed with your background, Mr. Madison. I am curious to know—you said in your testimony that you report directly to the Deputy Administrator. I am curious to know what kind of rapport and how that Administrator receives your programs and any proposed programs that you might have for the future.

Mr. MADISON. I have an excellent working relation with the Deputy. I meet with him sometimes daily and sometimes weekly. We have a new Administrator just getting himself on in place. He and I have testified before the General Oversight Subcommittee of the House Small Business Committee. And, things are working out very well. We have had no difficulty at all thus far.

Mr. DREIER. Are there any specific new proposals that you may have for outreach?

Mr. MADISON. If the budget allows, I hope to extend our trade fair, something which we had in Houston, Tex., recently, in four cities throughout the United States in fiscal year 1982. Again, the determining factor is the dollars that are allocated for that effort. We are in the process of developing training materials for our people to insure or make them aware of what is happening in the small business community. And, to try to extend our outreach effort through that mechanism.

Mr. DREIER. Thank you, Mr. Chairman.

Mr. IRELAND. Mr. Madison, would you describe some of the upcoming programs that you intend to do with your circuit rider program that you described?

Mr. MADISON. The circuit rider is an ongoing program which has been in existence for several years. It is one of the programs that we are most proud of at GSA because it is one where we go to the people instead of them coming to us.

At the beginning of each fiscal year, we receive from all of our field activities, proposed trips for that upcoming 12-month period. I am very impressed to see the number of trips that are planned for this fiscal year. I think it will be successful as it has been in the past.

Mr. IRELAND. What would be the nature of those? Do they all have the same format?

Mr. MADISON. Yes.

Mr. IRELAND. What kind of a staff do you have here in the Washington office?

Mr. MADISON. I personally have a staff that consists of 8.8 people, being eight full time, and one part time who work 32 hours a week. In the regions, we have normally four to five professional people in the Office of Disadvantaged Businesses.

Mr. IRELAND. I'm sure you have heard Ms. Spann give what I thought was a clear description of the 15-percent cut that she has predicted in her area. What would you estimate yours to be?

Mr. MADISON. We estimate ours to be between 15 and 17 across the board, as an average. In some cases, it's more.

Mr. IRELAND. Where in your program would you find the cuts to be taking place?

Mr. MADISON. The cut would be in the overall available dollars to be contracted. Since I don't anticipate any severe cut in the percentages, but there will be cuts of the total dollars.

Mr. IRELAND. How about as that relates to your staff and the overhead, getting toward the answer of the question that you are going to get for Mr. Weber.

Mr. MADISON. My personal staff has been cut by two positions. We had hoped to have 10 full-time and 2 part-time people on board. But, because of the budget cuts, reductions——

Mr. IRELAND. Did you already have that, or is that what you had hoped to acquire?

Mr. MADISON. We already had them but because of the budget cuts we reduced to the level that I gave you earlier.

Mr. IRELAND. Let me ask you one further question on your LSA. I got the impression that so much of the effort within your agency

was directed to labor surplus areas as far as outreach and notifying small business. I wonder about the small businessman who is not necessarily in a labor surplus area that needs to know that he can do some business with the GSA.

Now, I came away from your testimony with the idea that there was an imbalance for these areas. Sometimes we have labor surplus areas that should not be perpetuated. How do you react to that kind of question?

Mr. MADISON. As you know, Public Law 96-302 outlines a priority system that the contracting officer has to satisfy. The reason I was emphasizing the labor-surplus program at that point in the testimony was to show you that there is a responsibility that we have within the agency to promote that program, not necessarily to play one down or the other.

The majority of firms located in LSA's are small businesses. The first priority is a combination of small business and labor surplus in making a set-aside determination. So, I don't think small firms not located in LSA's suffer.

Mr. IRELAND. Thank you very much. We appreciate your testimony.

[Mr. Madison submitted the following additional testimony:]

GENERAL SERVICES ADMINISTRATION,
OFFICE OF ACQUISITION POLICY,
Washington, D.C., November 24, 1981.

Hon. ANDY IRELAND,
Chairman, Subcommittee on Export Opportunities and Special Small Business Problems, Committee on Small Business, House of Representatives, Washington, D.C.

DEAR MR. IRELAND: This is in response to your most recent letter requesting the General Services Administration (GSA) to answer a few more questions so that you could amend my testimony given before your Subcommittee of September 22, 1981.

The following are our responses to your questions.

1. How will the budget cuts affect the programs you have set up to aid small businesses? Specifically, where in the programs will you find the cuts taking place?

We recently developed a series of options to accommodate reduced Federal Supply Service (FSS) budget levels under several scenarios. While each contemplates different degrees of staffing and expenditure cutbacks, none will involve the diminution of assistance to small businesses in their pursuit of GSA business. Conceivably, the volume of business awarded to concerns may lessen in the short term should our client civil agencies elect to handle portions of their budget cuts by reducing their requirements for supplies and services normally placed on FSS. Should this occur, however, we believe that small and large enterprises would be affected proportionately.

2. What proportion of GSA's budget is now going toward your small business programs?

As of August 31, 1981, GSA had awarded 39.2 percent of the fiscal year 1981 procurement budget to small business concerns.

3. Can you give me an overview of what types of services GSA offers to assist small business?

The Business Service Center Program is GSA's primary outreach activity to the small business community. There are 13 Business Service Centers, one located in each of our regional headquarters cities, and one in Houston, and Los Angeles, California.

These "one stop" centers offer to interested small business operators information on the types of products and services purchased by GSA, along with indepth counseling on the competitive bidding process, methods of marketing goods and services to the Government, and how to take advantage of special assistance programs designed to assist them.

During fiscal year 1980, our Business Service Centers had 144,000 counseling actions. Eighty-nine percent (89 percent) of these counseling actions of 129,000 were with small business firms, nearly a quarter of which were minority owned. To date in fiscal year 1981, our Business Service Centers have had 87,136 counseling actions.

Ninety percent (90 percent) of these counseling actions or 78,820 were with small business firms.

A unique initiative of the Business Service Center is the "Circuit Rider Program." The purpose of this program is to reach those small business persons who are not located in GSA regional cities. Each fiscal year, GSA representatives schedule periodic visits to provide counseling and assistance to firms interested in contracting opportunities with GSA and other Federal agencies. These visits are coordinated with other Government agencies, local Chambers of Commerce, Congressional District Offices and organizations in each location. Maximum publicity is given these visits through the local media, and direct mail invitations to known small business firms.

In September 1979, the Departments of Commerce (DOC), Housing and Urban Development (HUD), Labor (DOL), Small Business Administration (SBA) and the General Services Administration (GSA) selected New York City; Detroit, Michigan; Buffalo, New York; and Lawrence-Haverhill, Massachusetts to participate in the Labor Surplus Area Demonstration Outreach Program (LSADOP). This pilot program was initiated to test a new tool for local economic development agencies to use in increasing employment roles, stabilizing crucial sectors of a local economy and expanding the capabilities of local industries. The LSADOP supplements traditional development programs, LSADOP enables local agency officials to directly assist small businesses in opening up new markets for sales, in particular, the Federal marketplace.

The Public Buildings Service (PBS) of GSA has unilateral small business set-asides on all construction contracts from $2,500 to $500,000. Pursuant to an understanding with SBA, every proposed construction contract including alteration, maintenance, and repair which meet the foregoing dollar thresholds are set-aside exclusively for small business participation.

PBS has also established a class set-aside for its procurements for construction including alteration, maintenance and repairs estimated to cost between $500,000 and one million dollars.

4. How are you attempting to simplify the policies and contracting procedures you are currently using so as to encourage more small business participation?

For the past four years GSA has been engaged in a major effort to simplify the regulations applicable to Government contracts. This effort involves the drafting of the Federal Acquisition Regulation (FAR) in cooperation with the Department of Defense. When completed and published, the FAR will replace the Federal Procurement Regulations and the Defense Acquisition Regulation. A major concern has been the use of the clearest and simplest language possible in the development of the FAR.

The complexities of Government contracts stem, for the most part, from the laws passed by the Congress, Executive orders and directives issued by the President and OMB, and decisions of the Comptroller General, courts, and Boards of Contract Appeals. We are cooperating with the Vice President's initiative to review and revise regulations whenever possible.

5. Do you feel you are doing enough to help our small businesses or does more need to be done?

Yes, we feel that we are putting forth an extensive effort to assist small businesses as outlined above. We will strive to do even more in the future.

6. Will what you're doing now survive?

We anticipate that with full implementation of OMB Circular A-76, we will have increased opportunities for contracting with small businesses.

I hope that this information is helpful.

Sincerely,

WILLIAM F. MADISON,
Director, Office of Small and Disadvantaged Business Utilization.

Mr. IRELAND. The next witness is the Director of Procurement with the National Aeronautics and Space Administration, Mr. Stuart Evans. Welcome.

TESTIMONY OF STUART J. EVANS, DIRECTOR, OFFICE OF PROCUREMENT, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, ACCOMPANIED BY FLOYD ROBERSON, DIRECTOR, TECHNOLOGY TRANSFER DIVISION, AND EUGENE ROSEN, SMALL BUSINESS ADVISER

Mr. EVANS. I am Stuart Evans, Director of the Procurement Office, National Aeronautics and Space Administration. It is a pleasure to appear before you today in response to your invitation to provide some highlights of NASA's small business program, and more specifically to report on our efforts to carry out the mission of the small business program.

I have with me today, Mr. Floyd Roberson, Director of NASA's Technology Transfer Division, and Mr. Eugene Rosen, NASA's small business adviser.

With your concurrence, Mr. Chairman, since I have a very lengthy statement, I would propose to summarize my statement and request that the full statement be placed in the record.

Mr. IRELAND. Without objection.

[Mr. Evans' prepared statement and attachments follow:]

PREPARED STATEMENT OF STUART J. EVANS, DIRECTOR, OFFICE OF PROCUREMENT, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. Chairman and Members of the Subcommittee, it is a pleasure to appear before you today in response to your invitation to provide some highlights of NASA's small business program and, more specifically, to report on our efforts to carry out the mission of the Small Business Act.

I have with me today, Mr. Floyd Roberson, director, Technology Transfer Division, and Mr. Eugene Rosen, small business advisor, to assist me in responding to specific inquiries or discussions that you may wish to pursue.

One of the mandates of the National Aeronautics and Space Act is that NASA conduct its activities so as to contribute to the most effective utilization of the scientific and engineering resources of the United States. Consistent with the mandate, NASA relies heavily on the industrial, scientific, and university communities to carry out its programs. Research and development is NASA's life blood with approximately 80 percent of its procurements made using research and development funds. The Space Act also mandates that NASA enable small business concerns to participate equitably and proportionately in the conduct of the Agency's work.

In carrying out these mandates, NASA has established a policy to ensure that an equitable proportion of its procurement awards are placed with small business firms. This basic policy, and NASA's charge to its procurement installations is set forth in NASA Procurement Regulation 1.702 (Enclosure 1). This regulation also prescribes specific activities which are designed to enhance the participation of small business firms in NASA's research and development opportunities.

From the very outset, our space programs have been a national partnership of scientific, technical and managerial participation. There has never been a monopoly—and certainly not a Government monopoly—on ideas and creativity. NASA recognized this from the beginning—and throughout the Agency's twenty-three years the private sector has been a wellspring of innovation in space and aeronautics. Here the contributions of small business have been conspicuous and are reflected in a steady growth in our small business procurement. Today, approximately 84 cents of every dollar in our budget is put to work in some form with the educational, scientific and business community through our procurement process.

In similar manner we acquire some approximately 50 percent of the total manpower we need to conduct or support Agency operations by means of support service contracts. This extensive reliance on the private sector for innovation, technology growth and operational support will continue—and concurrently, we fully expect small business participation to grow.

Our relationship with the Nation's small business community is a prime example of growth, learning and innovation. We have attempted to promote the initiative, imagination and productivity of small business in both space and aeronautical programs.

As one result, some seven thousand small businesses worked to make the Space Shuttle and its recent flight a reality. To continue its operation at Cape Canaveral, we are completing construction of major assembly, launch, recovery and overhaul facilities—in large measure by small business.

A high technology small business is currently conducting a significant R&D effort in automotive engine technology and increasing numbers of small businesses are participating in the solar energy research on behalf of DOE.

Small firms are currently involved in about 30 percent, by contract value, of the energy effort at our Lewis Research Center. This includes work in wind energy, automotive propulsion systems and fuels, and photo-voltaic demonstration and energy storage systems.

At the Jet Propulsion Laboratory (JPL) small firms are also involved in about 30 percent of the energy programs work. This involves them in such projects as the low cost silicon solar array, electric hybrid vehicle and small power systems technology.

NASA's Marshall Space Flight Center worked directly with Department of Energy personnel in the development of building energy systems for heating and cooling. In this site demonstration effort, small firms received 35 of the 41 contracts involved, and 18 percent of the total contract value.

Within the last decade, NASA has also focused considerable energy and imagination in the development of minority business opportunities throughout the Agency. Our return on this investment has been excellent, and for the fifth consecutive year, minority prime and subcontract participation has increased substantially. Here again, we are constantly seeking, and finding, new reservoirs of minority capability to tap within our programs, and mission—and I expect to see continued growth in this area.

For example, in April 1980 we awarded a $5.8M 18-month contract with a high technology 8(a) firm for major R&D support in advanced computer technology which is nearing completion. We have negotiated with this firm to provide follow-on computational capability on a new generation computer system to support the many and varied research programs at one of our research centers. This is a four-year effort valued at approximately $21M.

Another 8(a) high technology firm has received two significant awards early in 1981. The first was a $3.5M, two-year contract for computer services in support of the Orbiting Satellite Project, the Laboratory for High Energy Astrophysics, the Science and Applications Center, and the Laboratory for Extraterrestrial Physics. This contract contains three additional one-year options.

The same firm was awarded another contract in the amount of $1.1M which provides for support services for the operations of the Atmospheric and Oceanic Information Processing System.

In mid-1978 the Administration established an Industrial Innovation Coordinating Committee under the Secretary of Commerce to address issues and problems bearing on industrial innovation for a two-year period of time. NASA was a participant on the Committee and addressed many of the areas of similar concern today. A year later, NASA established an ongoing program of joint endeavors with U.S. domestic concerns calculated to encourage early usage of space for industrial purposes * * * initially, primarily in the field of materials processing.

On June 25, 1979, NASA issued a Policy Statement of its intent to enter into transactions with U.S. domestic concerns to achieve the objective of national technological superiority through joint action. This notice described the actions/transactions NASA would undertake and set forth the types of incentives NASA would offer in these terms.

"NASA incentives for these purposes may include in addition to making available the results of NASA research: (1) providing flight time on the space transportation system on appropriate terms and conditions as determined by the Administrator; (2) providing technical advice, consultation, data, equipment and facilities to participating organizations; and (3) entering into joint research and demonstration programs where each party finds its own participation."

This notice concluded by setting forth 15 factors NASA would consider in providing incentives including "support of socioeconomic objectives of the Government." One of the first areas that promises considerable payoff is space industrialization and, specifically, materials processing. Materials Processing in Space (MPS) is emerging as a new technological capability for materials research and materials processes not possible on earth. The application of this technology must occur in the industrial community to satisfy the needs of an ever-expanding market for new and improved goods and services.

At this time, however, the nascent state of MPS technology places it in a long-term, high-cost, high-risk category which is generally beyond the interest and capac-

ity of commercial concerns to pursue on a totally privately funded basis. Recognizing industry's key role in the successful innovation of any technology for commercial purposes, NASA has initiated a program effort to encourage and stimulate U.S. industry's participation in the development of MPS technology to insure that development activities reflect the needs of industry in the future.

As industry and particularly small business become aware of the potentials of MPS technology, we are confident that industry offers will be forthcoming.

Each year we tap the scientific, educational and industrial sectors for new concepts and ideas in space and aeronautical technologies, primarily in areas where we foresee potential need and application in future NASA missions. A considerable amount of our basic research monies is devoted to this purpose, and the harvest we reap from the ideas forthcoming keeps our technology advancing. While basic research efforts are not a large part of our budget, they constitute the seed planting from which much innovation grows. It is in this area that we find small business contributions and potential particularly relevant.

We also expect small business to find incentives in the most recent patent statute. On July 1, 1981, NASA, along with other Federal R&D agencies, issued new procurement regulations to implement the provisions of Public Law 96-517. This new legislation provides small business firms and nonprofit organizations the opportunity to retain title to inventions developed under contract to NASA. We believe that this effort will further stimulate innovative pursuits of small businesses engaged in research and development activities, and will also encourage the secondary use and commercialization of advanced technology in the U.S. economy.

Turning now to some statistical highlights from our small business program, Enclosure 2 is a summary of NASA prime and subcontract awards to small business for each of the past two fiscal years.

In Enclosure 3, we have depicted NASA prime contract awards to small business by the Agency's three budget categories: Research and Development (R&D), Research and Program Management (R&PM), and Construction of Facilities (C of F). The R&D category includes, in addition to basic and applied research and development, those procurements for equipments, materials and technical services which directly support the R&D effort, In fiscal year 1980, total awards to small business exceeded those in fiscal year 1979 by $59.1 million.

In previous testimony before House and Senate Committees and Subcommittees on the subject of small business, the major elements of NASA's efforts in behalf of small business were presented. I would like to reiterate and update the more significant of these continuing NASA activities, and to advise of several new initiatives which are under immediate consideration.

PROCUREMENT PLANNING

The participation of small business is an important element of procurement planning at each NASA installation in providing for its mission and institutional support requirements. When individual procurement plans are developed in accordance with NASA Procurement Regulation 3.852, generally for procurements of $500,000 or more, small business opportunities must be specifically defined. Such plans are submitted for approval at an appropriate management level depending primarily on the estimated value of the procurement. In this planning and review process, procurement opportunities are identified for small business set-asides, Section 8(b) contracting, or the procurement is so structured as to facilitate the participation of small firms at the prime and subcontract levels. In conjunction with its planning activities, NASA sets for itself annual small business goals, and allocates a proportionate share of such goals to each of its field installations. The NASA small business goal for fiscal year 1981 is $420 million, NASA considers the planning for and setting of annual procurement goals as an important technique for implementing its small business policy and achieving basic program objectives.

PROCUREMENT REQUEST REVIEW

In addition to the procurement planning requirement, each individual procurement request (PR) is reviewed by a NASA Small Business Specialist, and a Procurement Center Representative of the Small Business Administration (SBA), when assigned, to further ensure that proper consideration has been given to each procurement. If a small business set-aside had not been previously established, such a recommendation may be made at this time. Should a set-aside recommendation not be accepted at the field level, the SBA representative may initiate an appeal from the NASA Installation Director's decision, to Headquarters, for a final determination by

the NASA Administrator. These review and appeal procedures are provided for in the NASA Procurement Regulation.

RESEARCH INFORMATION

In its effort to facilitate communications between the Agency and the research community, NASA publishes an annual compilation of its research and technology activities in the Research and Technology Objectives and Plans Summary, popularly referred to as the RTOP Manual. A copy of this publication is enclosed. This publication, with an annual distribution of 3,000 copies, contains an abstract of each funded research and technology task in progress, by the NASA installation of primary interest. It further identifies the principal NASA investigator and encourages personal contact of a professional nature. The manual receives extensive distribution to small research firms and we believe it to be extremely important to them in ascertaining their specific interests in doing business with NASA. The annual issuance of the RTOP Summary is announced in the Commerce Business Daily.

UNSOLICITED PROPOSALS

It is long standing NASA policy to encourage the participation of small research firms in its work through the medium of the unsolicited proposal. We fully recognize the creativity and special abilities that reside in small R&D firms, in the conception of relevant new idea, new product development, and in problem resolution. Your attention is now invited to Enclosure 4, New Research Contract Awards Resulting From Unsolicited Proposals, which indicates that small firms are receiving about 32 percent of the number of such awards. It is significant that, for the current year, small firms have received $174 million as of August 31, 1981, in research and development contract efforts, or 6.3 percent of the total dollars involved.

COST SHARING

In further support of its efforts to ensure the participation of small business in its research and development activities, NASA continues its liberal cost sharing policy for basic and applied research. Each year, since fiscal year 1970, NASA's appropriation acts have imposed a cost sharing requirement on all grants and research contracts resulting from unsolicited proposals. However, in interpreting Congressional intent, as suggested in the Senate Report accompanying the 1971 Appropriation Act, NASA has not imposed cost sharing on business entities which are unable to offset such cost through production or other services and are therefore not in a favorable position to make cost contributions. This policy effectively eliminates the cost sharing requirement for the average small research firm.

TECHNOLOGY UTILIZATION

One of the more important aspects of NASA's mission, as provided for in its enabling Act, is the transfer and application of the technology which emanates from its primary research and development work, to stimulate technology advance, enhance the quality of life and to further the economic well being of the Nation. Within NASA's Technology Utilization Program special attention is given to assuring that the small business community's interests are well served.

NASA and the Small Business Administration (SBA) have also combined to provide a more selective program of technology dissemination specifically directed toward the needs of small business. In this project, NASA provides about 20 selected Tech. Briefs, which the SBA then disseminates to small business firms.

Within the Technology Utilization Program, NASA has established a network of seven regional Industrial Application Centers (IAC's) which operate under NASA contracts to provide technical information and expertise for a modest fee to client companies. These Centers are located in California, Connecticut, Pennsylvania, Indiana, North Carolina, New Mexico, and Oklahoma. Typically, a client company may be seeking a material with certain properties to incorporate in its product, or a process to improve its manufacturing system; the IAC will search its vast computer file of technical information, and perhaps discuss the need with NASA technical personnel, in an effort to effectively respond to an inquiry.

The number of companies using the Industrial Application Centers has increased to more than 10,000 over the past few years, and approximately half of these client companies are in the small business category. This results, in part, from the conscious NASA policy of keeping the service charge at modest rates to encourage the participation of the small business company.

In addition to the seven Industrial Applications Centers (IAC), the network includes two State Technology Applications Centers (STAC) located at university campuses in Florida and Kentucky. All centers are backed by off-site representatives in many major cities and by technology coordinators at NASA field centers; the latter seek to match ongoing NASA research and engineering with client interests.

The STACs facilitate technology transfer to state and local governments, as well as to private industry, by working with existing state mechanisms for providing technical assistance. The STACs perform services similar to those of the IACs, but where the IAC operates on a regional basis, the STAC works within an individual state.

Additionally, NASA is working closer with the Small Business Administration to establish other possible mechanisms whereby the NASA Industrial Applications Center network can beneficially cooperate in the promotion of small business access to NASA technologies. While seeking additional approaches in serving the small business community, we are continuing a joint program with SBA initiated a few years ago as a means of creating an awareness of the value of aerospace technology to commercial enterprises in small business firms. Four of NASA's applications centers in Connecticut, Oklahoma, Indiana, and California, have been jointly funded by NASA and SBA to provide one-time problem-oriented retrospective searches of the NASA data bank to small business firms. To date, over 3,000 small business firms have been serviced by the participating NASA Industrial Applications Centers in their areas of commercial interest and specialty. A number of companies served have reported economic benefits and cost savings received through this service, and have invested in continuation of these services with the IAC in their region.

NASA has undertaken other projects to reach small business. For example, a regional Small Business Workshop was held October 8, 1980, at the NASA Langley Research Center, Hampton, Virginia. Attended by 125 small business executives, the workshop laboratory and fabrication facilities briefings and demonstrations covered manufacturing and fabrication techniques and concepts which are adaptable to the small manufacturing business sector. As time and funding will allow, NASA plans to hold additional workshops for small business manufacturers at other NASA centers in the future.

A brief example of technology transfer made possible by NASA Industrial Application Centers will underscore the value which this program activity adds in bringing about beneficial change in the small business community:

"Kenics Corporation, located in North Andover, Massachusetts, is a leading manufacturer of motionless mixers widely used in chemical process industries and in water and waste treatment. Being a small company with limited resources, Kenics claims that they would be unable to afford the research and development necessary to remain competitive if it were not for their access to the vast amount of technical information available through NASA Industrial Applications Centers. In one case, Kenics adapted NASA heat pipe technology provided by the NASA IAC at the University of Connecticut to a device used in the cooling of an injection molding process to produce thermo-plastic products. The device, known as a hot sprue bushing, is used in the mold to eliminate the wasted plastic associated with each molded product. Without the heat pipe sprue bushing, wasted plastic in the mold passageways sometimes equals the amount of plastic in the mold itself. Keeping the mold passageways hot, using heat pipe technology, eliminates waste materials, thus providing enormous savings to plastics manufacturers. Furthermore, Kenics feels that this injection mold product is just the first of a family of products utilizing heat pipe technology that they will introduce to the plastics industry and possibly to other marketplaces."

Another example of the technical assistance provided small business firms by NASA's Industrial Applications Centers is a research task performed for the National Perforating Corporation (NPC) of Clinton, Massachusetts. NPC, a member of the Industrial Perforators Associates (IPA), is a supplier of perforated metals, plastics and other materials for screens, walkways, and other products used in a wide variety of industrial applications. The company sought to determine the safe loading of such perforated products. Unable to find the needed information, the company was considering the conduct of a study which would have entailed considerable expense.

Before going ahead with the study, the company requested assistance from NASA's New England Research Applications Center (NERAC) at the University of Connecticut. NERAC conducted an extensive computer search and supplied NPC an information package, including identification of a firm which had already accomplished substantial study, test and evaluation of the strengths of perforated materials. NPC secured the information from the firm at a fraction of what a new study

would have cost—with a bonus in timesaving. The NERAC study also provided NPC and the IPA with additional information about perforated materials in such areas as flow of gases and liquids over and through perforated plates, acoustical applications and filtration. Assistance provided by NERAC will be shared among IPA's other member companies.

In our efforts to trace aerospace technologies and their secondary use in industry, we often learn of small manufacturers who have spun off commercial products and processes based on work originally done for NASA. In one such example, the Ferrofluidics Corporation, a small business firm in Nashua, N.H., spawned what will probably become a whole new industry based on ferrofluids-magnetic liquids whose unusual properties offer unique advantages in a wide range of industrial applications.

Ferrofluids had their genesis in the early days of the U.S. space program. NASA faced a problem: how to feed fuel to the engine of an orbiting spacecraft when the fuel—like everything else in orbit—is weightless. A scientist at Lewis Research Center hit upon the idea of imparting magnetic properties to the fuel by dispersing within it finely ground iron oxide particles; the fuel could then be drawn into the engine by a magnetic source. Ultimately, NASA solved the problem by a different approach and ferrofluid research was shelved for the moment—but the Lewis investigations had planted the seed of a new technology.

The delay for introducing ferrofluid technology was short-lived. Two scientists from the AVCO Space Systems Division who became knowledgeable of ferrofluids, left AVCO in 1969 to form the Ferrofluidics Corporation. Armed with a license for the NASA technology, they set about to find problems to which this unique technology might apply. Over the past decade, the company has found numerous applications of ferrofluids—the first application related to the manufacturer of semiconductor "chips" for use in electronic systems. The resultant product, a ferrofluidic magnetic seal, was then applied to computer disc drives and inertia dampers for stepper motors. In recent years, ferrofluidics have grown in acceptance throughout industry in a variety of industrial processes, analytical instrumentation, medical equipment, silicon crystal growing furnaces, plasma processes, fussion research, visual displays and automated machine tools.

From a sales volume of $65,000 in its first year, the Ferrofluidics Corporation had expanded to sales in the multimillions and expects to top the $100 million level by 1990. The company is the sole production source for ferrofluidics and ferrofluidics systems, but there is growing interest in the broad potential of magnetic fluid technology. Says the company president, "What the NASA technology launched was not just a single company, but probably a whole new industry."

These examples illustrate only a portion of the cases where small businesses have capitalized on NASA technology. In the future, we expect that small business firms will continue to enjoy the fruits of research and development resulting from NASA's aeronautics and space efforts. Whether small business is directly involved in NASA R&D or learns about new advances through NASA's technology transfer programs, there is ample evidence to show that small business enterprises benefit in large measure through aerospace technological innovation.

In September 1975, NASA and SBA entered into a cooperative agreement to provide technology assistance to small business on a test, no-fee basis, through the IAC in Los Angeles, to further promote the utility of the IAC's in resolving small business problems. In its initial year of service, more than 200 small firms took advantage of the opportunity, with estimated benefits to them valued at about $1 million. This joint effort was subsequently extended, in 1977, to serve the northeastern small business community through the IAC located at the University of Connecticut, with similar favorable results.

A related NASA activity to technology utilization, with well defined benefits for small business, is the patent licensing program. Over the years, more than 400 licenses have been granted to practice NASA inventions, most of which have been awarded to small business firms. New product developments under these licenses include solar energy devices, medical instruments, industrial production aids, and other products and processes.

In one example, NASA granted a patent license to a small minority firm, Hopkins International Company, to manufacture a Hearing Aid Malfunction Detection Unit (HAMDU) which is a miniaturized, battery-powered system which monitors hearing aid malfunctions. Hearing aids often develop malfunctions that are not detectable by the wearer. This is particularly true when the wearers are school age children. Studies of selected groups showed that 30 to 50 percent of school children were not getting adequate benefit from their hearing aids due to unrecognized malfunctions. Based on microcircuit technology, NASA built prototype units of HAMDU as part of

its Technology Utilization Program. The units were thoroughly tested in the laboratory and in actual use by school children.

NASA will continue its efforts to make the small business community aware of the technology that is available and to find improved methods of delivering this technical information to the small businessman. We believe that the dissemination of new technology and the direct interaction with individual companies to assist them in meeting their technical needs will provide the small businessman an additional return on his investment in the Nation's aeronautics and space program.

Mr. Chairman, although we believe that our efforts in behalf of small business have been extensive, I can assure you that we are not entirely satisfied with results.

The foregoing has given you an overview of our past performance and some indications of our plans for the future, and responds generally to questions (a), (d), and (e) of your letters to the Adminstration of NASA dated September 3, 1981.

In addition, the following specifics are provided and are keyed to the lettered paragraphs in the aforementioned letter.

(a)(1) NASA is an active participant in the Federal Procurement Conference program sponsored by the Department of Commerce for the predominant purpose of assisting small business. In calendar year 1980, NASA participated in 34 federally-sponsored business conferences and other business seminars throughout the United States. To date in fiscal year 1981, NASA has participated in more than 20 federally-sponsored business conferences. In addition, in fiscal year 1981, NASA has participated in small business research and development conferences with the National Science Foundation as well as locally-sponsored small and minority business conferences sponsored by various local organizations throughout the country. By the end of fiscal year 1981, NASA participation in all business conferences should exceed those of fiscal year 1980.

(a)(2) In April 1980, NASA and the Small Business Administration entered into a Memorandum of Understanding under which the two Agencies will work jointly to identify research and technology requirements for placement with qualified minority firms on a pilot basis (Enclousre 5). To date, NASA has placed four such contracts with minority firms for such efforts as a NASA-wide computer security system and the design, assembly, delivery, test and checkout of a data base management system.

(b) The Office of Small and Disadvantaged Business Utilization was established on July 19, 1979 (NASA Management Instruction 1103.25, Enclosure 6). This Office consists of the Director (GS–15), one Small Business Adviser (GS–14), one Minority Business Adviser (GS–14), and a Secretary. It reports directly to the NASA Administrator. In addition, there is a Small Business Specialist at each NASA installation charged with the responsibilities of supporting those programs on a local level.

(c) NASA issues two publications that are for the primary purpose of assisting small and small disadvantaged businesses. They are "Selling to NASA" and "How to Seek and Win NASA Contracts." Copies of the two documents are enclosed as Enclosures 7 and 8.

(d) NASA has an effective working relationship with a large number of organizations and associations at both the field and the Headquarters level. For example, NASA has participated in meetings and conferences with such organizations as the Small Business Research and Development Association; the Latin American Manufacturers Association; the Long Island Business Association; the National Association of Black Manufacturers; and the Black Businessmen's Association of Los Angeles, just to name a few. We expect that this type of interface will continue into the periods ahead.

Mr. Chairman, this concludes my formal statement. My colleagues and I are available to respond to any questions you may have.

1.702 General Policies.

(a) It is the policy of NASA to place a fair proportion of its total purchases and contracts for supplies, research and development and services (including contracts for maintenance, repairs and construction) with small business concerns. Every effort should be made to encourage participation by such concerns in the acquisition of supplies and services that are within their capabilities. Heads of NASA installations are responsible for the effective implementation of the Small Business and Small Disadvantaged Business Utilization Program(s) within their respective installations and for the accomplishment of assigned program goals. They will assure that procurement and technical personnel are informed of the benefits that accrue to the Nation and to the agency through the proper use of the capabilities of small business concerns in the procurement of NASA requirements and that these individuals take all reasonable action to increase the level of participation by small business firms in the awards for products and services by their installations.

(b) Small business concerns, both established and potential suppliers (1.701-3 and 1.701-4), shall be afforded an equitable opportunity to compete for all contracts that they can perform. Therefore, NASA installations, to the extent consistent with the best interests of the Government and in order to broaden the industrial base, shall:

(i) attempt to locate additional qualified small business suppliers by all appropriate methods, including use of the assistance of SBA, particularly where only a limited number of small business concerns are on bidders' mailing lists;

(ii) give wide publicity to contracting methods and practices;

(iii) publicize proposed procurements by use of advance notices or other appropriate methods (see 1.1003);

(iv) include all established and qualified potential small business suppliers on the bidders' mailing lists (see 2.205);

(v) send solicitations to all firms on the appropriate list, except that where less than a complete list is to be used pursuant to 2.205-4, at least a pro rata number of small business concerns shall be solicited;

(vi) divide proposed acquisition of supplies and services, except construction, into quantities not less than economic production runs, so as to permit bidding on quantities less than the total requirements; allow the maximum time practicable for preparation and submission of bids, proposals, or quotations; where feasible, establish delivery schedules which will encourage small business participation;

(vii) examine each major procurement to determine the extent to which small business subcontracting should be encouraged or required;

BEST COPY AVAILABLE

99-526 0 - 82 - 3

(viii) allow the maximum amount of time practicable for preparation and submission of bids and proposals; and

(ix) maintain liaison with Federal, State (including Governor's Commissions), and local agencies and other organizations for the purpose of providing information and assistance to small business concerns.

(c) All proposed procurements of supplies or services with an anticipated dollar value of less than $10,000 subject to small purchase procedures shall be reserved for exclusive participation by small business concerns (see 3.603-1(g)).

(d) The extent of participation by small business concerns in NASA procurement shall be accurately measured, reported, and publicized. All solicitations shall require each prospective supplier to represent whether it is a small business or small disadvantaged business concern for purposes of the specific procurement (see 1.701 and 1.703). Records of the total value of contracts and subcontracts placed with small business concerns during each fiscal year shall be maintained and reported through the NASA procurement reporting system prescribed in 21.1.

(e) NASA installations shall assign small business technical advisors to assist each resident SBA Procurement Center Representative in the performance of his duties:

(1) Each advisor shall be a full-time employee of the installation and shall be well qualified, technically trained, and familiar with the supplies or services acquired at the installation.

(2) Each advisor's principal duty shall be to assist the SBA Procurement Center Representative in his duties and functions relating to Sections 8 and 15 of the Small Business Act. Providing such assistance shall take precedence over any other collateral duties that may be the responsibility of the small business technical advisor.

1.703 Determination of Status as Small Business Concern.

(a) General.

(1) Prior to Solicitation. If a contracting officer or a small business specialist requires information from SBA concerning the size status of a concern in order to make a determination concerning (i) the initiation of a small business set-aside, or (ii) the forwarding of a small business restricted solicitation to such concern but time considerations preclude obtaining a formal SBA small business size determination, he may request informal advice on the matter from the SBA District Office having jurisdiction of the geographical area in which the contracting officer is located. While a contracting officer or a small business specialist may take action on the basis of such informal advice, such advice shall not be binding with respect to the final establishment of the eligibility of a concern as a small business for the purpose of a particular procurement; nor shall it be considered a formal SBA small business size determination (see (b)(3) and (4)).

BEST COPY AVAILABLE

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAM—SUMMARY OF PRIME AND SUBCONTRACT AWARDS

[Dollar amounts in thousands]

	To all business	To small business	To minority business
9 months, fiscal year 1981:			
NASA prime contract awards	$3,237,642	$288,186	$60,043
JPL subcontract awards	144,103	41,110	5,927
Industry subcontract awards		316,339	32,537
Total	3,381,745	645,635	98,507
Small business percent of total business		19.9	
Minority percent of total business			2.9
Minority percent of small business			15.3
Fiscal year 1980:			
NASA prime contract awards	$3,868,297	$384,585	$72,450
JPL subcontract awards	209,109	63,705	7,259
Industry subcontract awards		367,218	35,666
Total	4,077,406	815,508	115,375
Small Business percent of total business		20.0	
Minority percent of total business			2.8
Minority percent of small business			14.1

Note: This table reports the total dollars accruing to small business and minority business concerns as NASA prime contracts, and as subcontract awards by JPL and industry.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAM—PRIME CONTRACT AWARDS

[Dollar amounts in thousands]

Appropriation category	Total	R.&D.[1]	R.&P.M.[2]	C of F[3]
9 months, fiscal year 1981:				
Total NASA business	$3,237,642	$3,026,049	$138,685	$72,908
Small business	$290,162	$199,227	$45,414	$45,521
Percent of total business	9.0	6.6	32.7	62.4
Set-asides	$141,442	$87,895	$25,747	$27,800
Percent of total business	4.4	2.9	18.6	38.1
Percent of small business	48.7	44.1	56.7	61.1
Fiscal year 1980:				
Total NASA business	$3,868,297	$3,572,732	$157,830	$137,735
Small business	$384,585	$246,360	$54,786	$83,439
Percent of total business	9.9	6.9	34.7	60.6
Set-asides	$175,202	$101,330	$31,145	$42,727
Percent of total business	4.5	2.8	19.7	31.0
Percent of small business	45.6	41.1	56.8	51.2
Fiscal year 1979:				
Total NASA business	$3,416,384	$3,131,572	$146,940	$137,872
Small business	$325,400	$206,544	$49,696	$69,160
Percent of total business	9.5	6.6	33.8	50.2
Set-asides	$99,402	$49,407	$20,094	$29,901
Percent of total business	2.9	1.6	13.7	21.7
Percent of small business	30.5	23.9	40.4	43.2

[1] Research and development.
[2] Research and program management.
[3] Construction of facilities.

Note: Commencing in fiscal year 1980, set-aside totals include small purchases from small business firms, as prescribed in the Small Business Act, as amended by Public Law 95-507.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, NEW RESEARCH CONTRACT AWARDS RESULTING FROM UNSOLICITED PROPOSALS

	Number of awards	Percent of number	Amount	Percent of amount
Fiscal year 1980:				
Total awards	203	100	$11,412,000	100
Large business	48	24	3,332,000	29
Small business	65	32	3,537,000	31
Universities	64	31	3,385,000	30
Nonprofit	26	13	1,158,000	10
Fiscal year 1979:				
Total awards	231	100	11,329,725	100
Large business	61	27	3,688,715	33
Small business	79	34	3,641,603	32
Universities	63	27	2,485,118	22
Nonprofit	28	12	1,514,289	13
Fiscal year 1978:				
Total awards	156	100	12,670,218	100
Large business	52	33	2,921,431	23
Small business	41	26	5,786,714	45
Universities	45	29	2,868,042	23
Nonprofit	18	12	1,094,031	9
Fiscal year 1977:				
Total awards	129	100	7,771,666	100
Large business	42	32	3,028,883	39
Small business	32	25	1,224,826	16
Universities	37	29	2,015,459	26
Nonprofit	18	14	1,502,498	19
Fiscal year 1976:				
Total awards	148	100	7,595,135	100
Large business	67	45	3,865,292	51
Small business	34	23	1,292,509	17
Universities	29	20	1,387,502	18
Nonprofit	18	12	1,049,832	14
Fiscal year 1975:				
Total awards	164	100	9,972,000	100
Large business	66	40	5,077,000	51
Small business	42	26	2,082,000	21
Universities	33	20	1,386,000	14
Nonprofit	23	14	1,427,000	14

Note: Excludes grants, intragovernmental, agreements and smaller awards, generally those of less than $10,000.

AGREEMENT BETWEEN THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION AND THE SMALL BUSINESS ADMINISTRATION

Subject: Special Initiatives Under the Section 8(a) Program.

The purpose of this agreement is to provide for the participation of the National Aeronautics and Space Administration (NASA) in a special cooperative effort with the Small Business Administration (SBA), similar to that provided for in Section 8(a)(1)(B) of the Small Business Act, as amended by Public Law 95-507. In implementing this mutual effort to assist in the development of small business concerns owned and controlled by socially and economically disadvantaged individuals, the following stipulations shall apply:

1. Either party to this agreement may identify particular procurement requirements for inclusion in this special initiative. However, it is understood and agreed

that the NASA Administrator's concurrence shall be required for any NASA procurement which may be proposed. A review and determination by the Administrators of both agencies shall encompass the suitability of procurement requirements, and the evidenced capabilities of any Section 8(a) certified small business contractor nominated for performance under the provisions of this agreement.

2. In order to ensure the expeditious and orderly accomplishment of this mutual effort, it is agreed that this program will be directed, coordinated and implemented at the Washington Headquarters level of the respective agencies. However, this will not preclude the involvement of field level personnel in the procurement and contract administration processes, when mutually acceptable.

3. The SBA agrees that it will provide Section 8(a) firms awarded contracts under this agreement, management and technical assistance, advance payments, and Business Development Expenses (BDE), as may be appropriate.

4. The Director of Procurement, NASA, and the Associate Administrator for Minority Small Business and Capital Ownership Development, SBA, are designated as the principal agency representatives for the accomplishment of this initiative.

5. The cooperative effort provided for herein, and this agreement, shall not be continued beyond September 30, 1980, unless mutually agreed to in writing by the respective agency Administrators.

ROBERT A. FROSCH,
Administrator,
National Aeronautics and Space Administration.

Date: April 22, 1980.

A. VERNON WEAVER,
Administrator,
Small Business Administration.

Date: April 22, 1980.

NASA,
MANAGEMENT INSTRUCTION,
July 19, 1979.

ROLE AND RESPONSIBILITIES—DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

1. Objective of position

(a) To provide an integrated focus for the implementation and execution of NASA efforts to assist small business including those firms which are owned and controlled by socially and economically disadvantaged individuals, women's business enterprise and labor surplus area firms.

(b) To provide functional management leadership of NASA's Small and Disadvantaged Business Utilization Program.

2. Organizational setting

(a) The Director of Small and Disadvantaged Business Utilization reports to the Administrator.

(b) The basic organization of the Office of Small and Disadvantaged Business Utilization is set forth in Attachment A.

3. Responsibilities

The Director of Small and Disadvantaged Business Utilization has the following responsibilities and is delegated the authority to carry out those responsibilities:

(a) Implements and executes the functions and duties under Sections 8 and 15 of the Small Business Act which relate to NASA. This includes programs to assist small business, including those firms which are owned and controlled by socially and economically disadvantaged individuals, and all firms located in labor surplus areas as designated by the Department of Labor.

(b) Exercises supervisory authority over NASA personnel to the extent that their functions and duties relate to those functions and duties encompassed under Sections 8 and 15 of the Small Business Act.

(c) Ensures the assignment of NASA technical advisors to assist designated Procurement Center Representatives of the Small Business Administration in their duties and functions relating to Sections 8 and 15 of the Small Business Act.

(d) Cooperates and consults on a regular basis with the Small Business Administration with respect to carrying out the responsibilities encompassed in subparagraph (a).

(e) Develops policies and procedures for the agencywide implementation of applicable provisions of the Small Business Act for promulgation in the NASA Procurement Regulation, and other management directives.

(f) Develops and implements a program to promote and facilitate the participation of women-owned business firms in NASA's procurement opportunities.

(g) Develops, with the Director of Procurement and other NASA officials, NASA's program objectives for small business, minority business, women's business enterprise, and labor surplus area firms, to include the establishment of annual procurement goals.

(h) Reviews and evaluates the effectiveness of NASA's efforts to assist small business, minority business, women's business enterprise, and labor surplus area firms, in conformance with related policies and regulations and the attainment of established program objectives.

(i) Provides for the training of NASA personnel in the respective small and disadvantaged business programs, activities and requirements cited herein.

(j) Advises and assists senior NASA management in its relations with the Administration, the Congress, other Federal agencies, and business clientele with respect to the programs provided for in this directive.

A. M. LOVELACE,
Deputy Administrator.

Attachment A: Organization Chart.

July 19, 1979

ATTACHMENT A
NMI 1103.25

SMALL AND DISADVANTAGED BUSINESS
UTILIZATION OFFICE

APPROVED: _____

DATE: _____

BEST COPY AVAILABLE

Mr. EVANS. One of the mandates of the National Aeronautics and Space Act of 1958 is that NASA conduct its activities so as to contribute to the most effective utilization of the scientific and engineering resources of the United States. Consistent with this mandate, NASA relies heavily on the industrial, scientific, and university communities to carry out its programs. Research and development is NASA's lifeblood with approximately 80 percent of our procurements made using research and development funds. The Space Act also mandates that NASA enable small business concerns to participate equitably and proportionately in the conduct of the Agency's work.

In carrying out these mandates, NASA has established a policy to insure that an equitable proportion of its procurement awards are placed with small business firms. From the very outset, our space programs have been a national partnership of scientific, technical, and managerial participation. There never has been a monopoly—certainly not a Government monopoly—on ideas and creativity. NASA recognized this from the beginning—and throughout the Agency's 23 years the private sector has been a wellspring of innovation in space and aeronautics. Here, the contributions of small business have been conspicuous and are reflected in a steady growth in our small business procurement.

Our relationship with the Nation's small business community is a prime example of growth, learning, and innovation. We have attempted to promote the initiative, imagination, and productivity of small business in both space and aeronautical programs. As one result, some 7,000 small business firms worked to make the Space Shuttle and with its recent flight, a reality. To continue its operation at Kennedy Space Center, Cape Canaveral, we are completing the construction of major assembly, launch, recovery, and overhaul facilities, in large measure done by small business. I have cited in my full statement further examples on page 3 of what I am alluding to at this point.

Within the last decade, NASA has also focused considerable energy and imagination on the development of minority business opportunities throughout the Agency. Our return on this investment has been excellent. For the fifth consecutive year, minority prime and subcontract participation has increased substantially. Here again, we are constantly seeking and finding new reservoirs of minority capability to tap within our programs and missions. I expect to see continued growth in this area. In my full statement, I cited several specific examples; they appear on page 4.

Each year we tap the scientific, educational, and industrial sectors for new concepts and ideas in space and aeronautical technologies, primarily in areas where we foresee potential need and application in future NASA missions. A considerable amount of our basic research moneys is devoted to this purpose. The harvest we reap from the ideas forthcoming keeps our technology advancing. While basic research efforts are not a large part of our budget, they constitute the seed planting from which innovation grows. It is in this area that we find small business contributions and potential particularly relevant.

It has been our longstanding policy to encourage the participation of small research firms in its work through the medium of the

unsolicited proposal. We fully recognize the creativity and special abilities that do indeed reside in small research and development firms in the conception of relevant new ideas, new product development and in problem resolution. In recent years, 1 out of every 4 unsolicited proposals received from small business firms have been accepted by the Agency. I would invite your attention to enclosure four, a full study which is entitled "New Research Contract Awards Resulting From Unsolicited Proposals," which indicates that small firms are receiving about 32 percent of the awards. In the first 9 months of the current fiscal year small firms have received about $174 million as of August 31 in research and development contract efforts, or 6.3 percent of the total dollars involved.

One of the more important aspects of NASA's missions, as provided for in the Space Act, is the transfer and application of the technology which emanates from its primary research and development work, to stimulate technological advance, enhance the quality of life, and to further the economic well-being of the Nation. Within NASA's technology utilization program special attention is given to assuring that the small business community's interests are well served.

Those identified technological innovations that offer the best potential for development, that is transfer by private industry are published quarterly in a technical brief journal. Each year about 600 such innovations are announced in the journal which is sent to more than 40,000 subscribers, many of whom are categorized as small business. In a single year, as many as 100,000 requests for additional information, which the program invites, are received and processed. These figures afford a measure of the success and importance of the dissemination system.

NASA and the Small Business Administration (SBA) have also combined to provide a more selective program of technology dissemination specifically directed toward the needs of small business. In this project, NASA provides about 20 selected technical briefs, which the SBA then disseminates to small business firms. Within the technology utilization program NASA has established a network of seven regional industrial application centers which operate under NASA contracts to provide technical information and expertise for a modest fee to client companies. These centers are located in California, Connecticut, Pennsylvania, Indiana, North Carolina, New Mexico, and Oklahoma. Typically, a client company may be seeking material with certain properties to incorporate in its product or a process to improve its manufacturing system. The industrial application center will search its vast computer file of technical information and perhaps discuss the need with NASA technical personnel in an effort to effectively respond to an inquiry.

The number of companies using the industrial application centers have increased to more than 10,000 over the past few years, and approximately half of these client companies are in the small business category. This results, in part, from the conscious NASA policy of keeping the service charges to modest rates to encourage the participation of the small business company.

Furthermore, we are working closer with the Small Business Administration to establish other possible mechanisms whereby our

industrial application center network can beneficially cooperate in the promotion of small business access to NASA technologies.

We have undertaken other projects to reach small business. For example, we conducted a regional small business workshop in October 1980, at the NASA Langley Research Center in Hampton, Va. It was attended by 125 small business executives. The workshop laboratory, fabrication briefings, and demonstrations covered manufacturing and fabrication techniques, and concepts which are adaptable to the small manufacturing business sector. As time and funding will allow, NASA plans to hold additional workshops for small business manufacturers at other centers in the future. I have between 16 and 21 pages, Mr. Chairman, which include a range of examples; the results that have flowed from this technology transfer program. They were too lengthy to put in my summary, however.

A further related NASA activity to technology utilization, with well-defined benefits for small business is the patent licensing program. Over the years, more than 400 licenses have been granted to practice NASA inventions, most of which have been awarded to small business firms. New product developments under these licenses include solar energy devices, medical instruments, industrial production aids, and a range of other processes.

We intend to continue our efforts to make the small business community aware of the technology that is available and to find improved methods of delivering this technical information to the small businessman. We believe that dissemination of new technology and the direct interaction with individual companies to assist them in meeting their technical needs will provide the small businessman an additional return on his investment in the Nation's aeronautics and space program.

Mr. Chairman, that concludes my summary of my statement. I am pleased to address any questions.

Mr. IRELAND. Thank you, Mr. Evans. That is an outstanding statement and we appreciate it. We have a wealth of material to go through here and a track record that I am sure is the envy of many other agencies.

How about your relationship with the Small Business Administration. Do you get good cooperation there? Or, is it so technical that there isn't much that they can help with?

Mr. EVANS. I would like to address that on two levels, if I may, Mr. Chairman. At headquarters in Washington, we have close and continuous association with the SBA headquarters. At the regional level, it varies in some measure. I feel on the whole, it is easier to settle problems between the headquarters of NASA and the headquarters of the SBA than it is in the field. On some occasions, it does take a considerable amount of time for these to become resolved, particularly if they stay at the field centers. Beyond that, I would say our relations have been quite good.

We are a very technical agency. We are substantially different from either the conditions under which Interior operates, or, for that matter, GSA. We are continually on the cutting edge of technology. That makes the location of sources for us and the problem of communication of needs to sources somewhat different from

most other agencies. But, our relationship with the SBA and certainly with the Counsel for Advocacy has been fine.

Mr. IRELAND. Good. Your comments on innovation, of course, are important to what we are talking about. Does your experience give you the impression that there is an eroding of American innovation especially for small business? Or, are we just as healthy as we were before, but getting competition from elsewhere in the world? How does that look and how does that relate to small business?

Mr. EVANS. I think clearly we are getting competition from other areas of the world, certainly Japan in electronics, Europe in space. We are, obviously, getting competition in the auto industry, too. I don't find any lack of innovation within my role in NASA, however, in this matter, and certainly not in the small business community.

We deal with such a perishable commodity, and it changes so quickly that it is a challenge to stay on top of what is being done throughout this country in the area of technology. It is clearly a problem for us to disseminate what we are doing on one hand, and the kind of technology we are interested in and problem solving we are seeking from that. So, we make substantial efforts on our own to try to communicate our needs and translate our achievements and technology development. It is a two-way street.

Mr. IRELAND. In that regard, it is encouraging to hear a report that helps both small business and the innovation. Can you point to any roadblocks that you see, whether they are governmental or other, toward full utilization of this wellspring?

Mr. EVANS. It would substantially simplify things if the means of contract were made simple. We presently have approximately 4,000 statutes that are in the process. I have lost track of the regulations that do the same. We have attempted on several occasions to come up with a relatively simple form of contract for small business research. But, most of the things that appear in that contract are there either by law, Executive order, or policy. That also makes it a rather cumbersome process.

This is being addressed, of course, by the Office of Federal Procurement Policy in terms of the Federal Procurement System. I think all of those in the procurement community are fully aware of the problem and have a range of ideas that will appear in the report to the Congress scheduled for next month on the Federal Procurement System. But, it is one, in my judgment, that makes the contracting process extremely complex for the small business company.

Mr. IRELAND. I would imagine, particularly in your area more than other areas. But, certainly it's out there regardless.

Mr. EVANS. We communicate technical requirements rather well. Engineers talk to engineers very well; and scientists talk to scientists very well. We speak the same language there.

Mr. IRELAND. What about reductions? We have talked to each of the witnesses about that. How does that impact on what you are doing in this area?

Mr. EVANS. From the standpoint of program reductions, it will impact us. Our budget has come under the same measure of scrutiny as every other Federal agency. At the present time, as has been the case for about the last 5 or 6 years, the effort in the space

shuttle has taken a large proportion of our budget. The shuttle largely remains intact which means that reductions in the budget have to come from elsewhere. And, they are coming from elsewhere, such as in the planetary space science program, the application program—and in a measure, in the research and technology program. The research and technology program is not that large. However, it is being reduced. And, it is from that program that our basic research innovation springs. So, it will clearly impact what we can do in that area, particularly with small business. It is a matter of concern to us.

Mr. IRELAND. Mr. Topping?

Mr. TOPPING. Thank you, Mr. Chairman.

If someone should ask me how to proceed to participate in the small business program with NASA, what should I tell him or her? Does it vary? Should they make contact through the district, through the State or region?

Mr. EVANS. A company desiring to do business with NASA for the first time?

Mr. TOPPING. Yes. In other words, here is a new businessman who says I want to participate in NASA's program as a small business person. How shall I go about it?

Mr. EVANS. I have to say if he raises with you the question in Washington, I would say send them straight to me. We have a range of inquiries of this nature. We go through quite a bit of effort in some of the publications. For example, "Selling to NASA" lists broadly the types of technology in which we are engaged. The NASA centers have primary responsibility for names, addresses, and phone numbers of representatives at each center, for instance, to contact either by phone or letter. The publication, "Research and Technology Objective Plans" goes out to approximately 3,000 entities a year. Beyond that, we provide it to the Small Business Administration and all of its regions. It sets forth, in one relatively small pamphlet, approximately 700 areas that NASA is currently pursuing. It synopsizes each area rather briefly, gives the name of the project individual under whose auspices the research is being conducted, and his address and phone number. This is rather a best seller to us. We reap large returns from it. It stems from the book that we obtain a number of unsolicited proposals, which is why I mentioned it. If they ask you the question in Washington call me. Beyond that each center has a group of people whose primary role is to form the bridge between the small business company wishing to come in and find out what the center does, and lead them to the individuals who are responsible for the type of procurement that is being requested. So, it does, in a measure, vary by centers because the missions of the centers are rather different. But, there is an office of that nature in every center, plus my own.

Mr. TOPPING. Thank you.

Mr. IRELAND. One last question. In your description in the testimony about the regional centers and the charge you make, can you give us an idea how you make those charges at what rates for the information those people are seeking?

Mr. EVANS. Is this in regard to the application centers?

Mr. IRELAND. Yes.

Mr. EVANS. And the research?

Mr. IRELAND. Right.

Mr. EVANS. I would like to ask Mr. Roberson to address this. Mr. Roberson is our small business adviser.

Mr. ROBERSON. The industrial application centers are basically an ongoing experiment. The technology utilization program has been in operation for some 18 years at NASA. The industrial application centers are there to provide very much the mode of industrial salesmen, services to private companies. We have not prescribed fees to them, so each of the centers operates in a different environment. They get different levels of support from their State government or university.

So, we are essentially trying to determine by studying the way the centers operate what is the optimum mode for centers like this to operate. We have given guidelines that they must charge a fee because we find if you give services away, the quality of inquiries goes down and the use actually goes away. The centers vary depending upon their role in their support by the State government. We support, by what you might call subsidy, 33 percent of the operating budget for the network of centers. That number has gone down from some 50 percent when we opened the network. Fifty-two percent of the operating budget is supported by revenues from sales and services and 14 percent is supplied by participating universities or the State government in matching funds.

In areas like the State of Florida where their function is primarily to serve State and local government and small business, they have a sliding fee. The innovative director of that center established a set of fees so that he charges virtually nothing for university students and faculty. The fees are on the order of $25 to $30 for a small business participant, and a more commercial fee of a couple of hundred dollars for a viable, commercial client. That is not a typical client. At the centers where we are involved with the Small Business Administration in the joint program, the Small Business Administration brings to the center a client who requires some technical information. Through SBA's support and cooperation, on a first-time basis, we provide free services. So, the small business company will have an opportunity to find out whether this kind of technical service is useful to them, and whether or not it is worth their continuing services in the future. The range goes all the way from a large company which may want a continuing update service from one of the centers and may pay as high as $25,000 a year for those services. If an individual has a fairly simple technical search question which may require a computer search, they may get it for about $25.

Mr. IRELAND. That's a very interesting piece of testimony. The State cooperation, 14 percent, has that been pretty aggressive on the part of the State, or do they have to drag them, kicking and screaming into the world?

Mr. ROBERSON. Again, that varies. The overall percentage for the network has remained virtually constant at 14 percent. I think the State interest goes up and down depending on what is going on within the State and what is going on within the budget. We do have a State, which shall remain nameless, that considered taking the regional role from the center, which serves several Southern States, and to withdraw their services within State boundaries and

become very much an arm of economic development within their State. I think that is a long-term viable model for one of these centers that can be supported by State government development programs, thus, Federal funding could go away.

I think that particular center could be viably self-supporting within 2 or 3 years. Others are in areas which are economically depressed and have a very, very small population and will almost always have to be subsidized, either by the State or Federal Government and are not likely to become self-sustaining. Kentucky is one which serves the State government agencies for which small business revenues are quite low. So, we probably have to continue support there. At the University of Pittsburgh, a heavily industrialized area, the New England Research and Application Center, Connecticut, both in the industrial corridor of the Northeast, could become self-supporting.

The problem is if we were to ask one of them to become self-supporting, they would go out and get the $10,000 clients and increase their sales staff and grow. Of course, this benefits the economic technology flow, but the small business and the local government clients will suffer. So, if the State government feels it is a role that is necessary, they would have to step in and help the subsidy process.

Mr. IRELAND. Do you think you have enough of these centers geographically around?

Mr. ROBERSON. Well, I think if the natural process in the marketplace, prevails, probably fewer of them will survive in the competition for the big-dollar market in the commercial industry in the industrial marketplace. But, the necessity for services that they can supply for small businesses is a public benefit that is a distributed benefit. If you went to that mode of operation and sort of got us out of sponsoring these things, probably two or three would survive.

Ultimately, you would probably end up with as much as 40 or 50 of them because when the State government has to subsidize they are not interested in serving the neighboring State or providing travel money for the salesmen to go two States away. So, I think the natural process, is that if they were subsidized by the State, the number of centers would grow.

Mr. IRELAND. Gentlemen, thank you very much. That was exceptionally good testimony. We appreciate it very much.

Mr. EVANS. Thank you.

[Mr. Evans submitted the following responses to subcommittee queries:]

RESPONSES TO WRITTEN QUESTIONS SUBMITTED BY CHAIRMAN IRELAND

Question 1. How will the budget cuts affect the programs you have set up to aid small businesses? Specifically, where in the programs will you find the cuts taking place?

Answer 1. At this point in time, we are unaware of how much the NASA budget will be cut; therefore, we cannot accurately predict the impact on small business. Within available resources, we expect to continue our strong support of small business programs.

Question 2. What proportion of NASA's budget is now going toward your small business programs?

Answer 2. During fiscal year 1980, small business, including small disadvantaged (minority) firms, received a total of $384.6 million in prime contract awards, which is 9.9 percent of NASA's total business awards. This exceeded the Agency's small

business goal of $369 million by more than $15 million. This is also the highest level of small business prime contract dollars ever attained by the Agency. In addition, small business firms received $430.9 million in subcontract awards, for a grand total of $815.5 million, or about 20 percent of NASA's total business awards.

Question 3. What types of outreach efforts are made within Region X to inform small business of contract opportunities?

Answer 3. In addition to the outreach efforts covered in our testimony, NASA has two installations in the California area which service companies in Region X. They are the Ames Research Center, Moffett Field, California, and Dryden Flight Research Center, Edwards, California. These installations have full-time small business specialists who stand ready to respond to any inquiries concerning NASA procurement opportunities. They do, in fact, provide additional information, as may be required. These individuals attend Federal procurement conferences throughout the area and are frequently called upon to speak at luncheons and dinners and to participate in meetings and seminars. For example, on October 13, 1981, a NASA representative from the Ames Research Center attended a procurement conference in Portland, Oregon, sponsored by Senator Packwood.

Question 4. How are you attempting to simplify the policies and contracting procedures you are currently using so as to encourage more small business participation?

Answer 4. We realize that the solicitation process for Government contracts has grown quite complex over the years. Thus, we attempted to simplify and streamline procedures for obtaining and performing these contracts. We designed a booklet, copy enclosed, which provides prospective bidders with basic guidelines for understanding NASA solicitations, for deciding whether to respond, and for optimizing their chances for success. This booklet is especially designed to meet the needs of small and disadvantaged business firms.

Looking to the future, we will also implement any simplified bidding, contract performance, and contract administration procedures for small business concerns which the Office of Federal Procurement Policy may incorporate into revised procurement regulations pursuant to Public Law 95-507.

Question 5. Do you feel you are doing enough to help our small businesses or does more need to be done?

Answer 5. NASA makes a concerted effort to publicize its procurement actions in order to promote competition, fulfill national policies, and to apprize the small business community of contracting and subcontracting opportunities within NASA. Small businesses are given the maximum opportunity to participate through means such as the Commerce Business Daily, trade journals, federally sponsored procurement conferences, trade fairs, small business research and development conferences, minority business enterprise conferences, visits to associations and information banks located at each NASA installation. We feel that, within the limits of our personnel and resources, we are providing a great deal of visibility to the small business community. However, we are not standing still in this effort. We are constantly seeking new ways to involve small business in NASA procurement.

Question 6. Will what you are doing now survive?

Answer 6. The procedures we have been using to assist small businesses in this highly competitive environment are based on our actual experience. We are confident that, with a few refinements, they will survive the test of time.

Mr. IRELAND. From the Veterans' Administration, the Assistant Administrator for Supply Services, Mr. Clyde C. Cook. Good morning, Mr. Cook. We are glad to have you here.

TESTIMONY OF CLYDE C. COOK, ASSISTANT ADMINISTRATOR FOR SUPPLY SERVICES, VETERANS' ADMINISTRATION

Mr. COOK. Thank you. I always feel at some disadvantage when I follow Mr. Evans because he is such an able man with such an interesting story.

Mr. IRELAND. He has all that fancy hardware.

Mr. COOK. Mr. Chairman, my name is Clyde Cook, I am Assistant Administrator for Supply Services for the Veterans' Administration. I am also at the moment acting as the Director of Small Business Utilization.

Mr. Chairman, we are pleased to assist your subcommittee in its extensive survey to find out exactly what Federal agencies and departments are doing to carry out the stated mission from the Small Business Act.

The Veterans' Administration has conducted an active program to provide assistance through the procurement process to small business for a number of years. We have traditionally maintained a small, specialized staff at the headquarters level to further the small business program within the agency, even prior to the time when such activity was mandated by Public Law 95–507. We did this for about 18 years before it was required by law. We have some 185 locations, Mr. Chairman, in which we carry on these activities.

For a number of years, these specialists have reviewed the operations of the agency, pointing out areas of opportunity which may have been missed, pointing out areas of potential improvement in expanding our outreach to small business in assessing performance, and in measuring performance against broad goals. We have, as a matter of policy for many years, acquired significant portions of our total supply, service and equipment requirements in the local community in which our individual medical facilities and regional offices exist. This decentralized procurement process, by its very nature, encourages use of the small business firms in the community.

Regulations require that the Veterans' Administration take positive action to encourage small business participation in the program. Each of our contracting activities has a designated employee who is primarily responsible for promoting the small business program. Each of these individuals is required to take the following actions: Develop a formal plan of operation to increase the share of contracts and purchase orders awarded to small business. Promote the minority enterprise program through section 8(a) of the Small Business Act. Review the types and classes of items and services to be purchased to determine the applicability of small business and labor surplus set-asides or class set-asides in small business. To develop techniques for locating capable small business sources for current and future procurements; to develop adequate small business competition on all appropriate procurements. To utilize the Small Business Administration source list maintained under what they call the PASS system, the procurement automated source system, in identifying people and planning out requirements. To examine bidders' lists maintained in our purchasing offices to assure that small business firms are identified and adequately represented. To assure that small business firms are identified as such on procurement documents. To assure that specifications are not unduly restrictive so as to preclude small business from participating in the contracts. Screen proposed large procurements to determine the possibility of separating or breakout components suitable for purchase from small business firms.

Like the others who have testified before us this morning, we do participate in conferences and meetings that promote the small business program. We also insure that our proposed procurements are publicized in the Commerce Business Daily.

We give preference to small business firms in placing multiple award, Federal supply schedule contracts. We also promote goals for small business, small business set-asides, small business subcontracting, and contracting from small and disadvantaged businesses.

In our headquarters and in our principal buying office, which is located in Hines, Ill., that is suburban Chicago, the Small Business Administration maintains a resident procurement center representative who is consulted regularly and who has the opportunity to screen all of our proposed procurements, to assist us in identifying opportunities for small business.

Our policy requires that each Veterans' Administration contracting officer consider all purchase requirements to be suitable for small business, unless there are compelling reasons why award must be made to other than small business firms.

I did not mention it in my previously furnished statement, but we have for example, set aside as a class all construction, maintenance, repair acquisition up to $1 million. Where possible, the contracting officer will determine, in cooperation with the Small Business Administration, whether a particular procurement or class of procurements will be set aside in whole or in part for the priority set-aside programs.

If a Small Business Administration procurement center representative is not available, then that contracting officer at the VA will make such determinations unilaterally. Each such determination is reviewed by the head of the activity for approval or disapproval.

Where recommendation is made by small business representative to set aside either an individual procurement or a class of procurements, the contracting officer will either accept or reject the recommendation. And, this must be documented. If the rejection is upheld by the reviewing authority, the decision is reduced to writing, transmitted to Small Business Administration for any necessary action.

This documented decision process assures that all procurements will be considered for small business unless compelling reasons exist which demonstrate that they cannot be awarded the contract. Our designing of this form, Mr. Chairman, a couple of years ago, forced consideration of many procurements for small business that had not been before us. It's a simple form, but just a simple requirement for review and documenting steps did that.

An internal memorandum designated a Director of Small and Disadvantaged Business Utilization and identified a staff of six employees to assist him in overall guidance and direction of program. That position was filled until recently; the incumbent who was not a career employee resigned. He has not yet been replaced in the Veterans' Administration. That very key position is still unfilled by a full-time permanent employee. But, the process has begun. In the meantime, I am acting.

This directive also requires that the heads of all activities in the agency with procurement authority designate an employee to serve as a small business representative. I mentioned earlier it added duties that were not contained earlier and included such things as counseling and assistance to small business firms with whom we

may come in contact, as to how they might do business with the Federal Government, try to simplify the process.

The subcommittee's letter of September 10 inquired about specific publications available to assist interested small businesses. We have several. One is entitled "Could you Use a Multibillion Dollar Customer?" Prior to this printing, it said "Multimillion." We have one on architect-engineering. We have another one which instructs small businesses on how do you sell to the major procurement centers, and one on selling to the individual activities of the buying offices throughout the country, address related information. Another one, "Doing Business With the Veterans' Administration" is aimed primarily at either small or small and disadvantaged firms. But these others could be used by other than small business. We distribute these through the trade fairs.

We also, when we receive inquiries from small business firms, provide them with this, plus perhaps more personal information in terms of letters.

Our goal for fiscal year 1982 is to award prime contracts, that is contracts valued at $10,000 or more, to small business concerns totaling $531 million or 46 percent of the estimated total procurements in this area. This is a slight increase over fiscal year 1981. We have additional goals of awarding contracts totaling $128 million to small and disadvantaged businesses under section 8(a) of the Small Business Act; and an additional $34 million to be awarded to small business concerns owned and controlled by socially and economically disadvantaged businesses, but not under 8(a), through the competitive process.

Our goal for subcontracts of all kinds to be awarded by all prime contractors is $127 million or 40 percent of the total value of all subcontracts potentially available. An additional $21 million represents our goal for the award of subcontracts to be awarded by prime contractors to small business concerns owned or controlled by socially and economically disadvantaged individuals.

In these times of stress upon the economy in Government operations, we intend to pursue as vigorously as we can the utilization of small business to the maximum feasible extent. We share the belief with this subcommittee that in times of economic difficulty, small business concerns particularly find themselves at a disadvantage in maintaining their financial viability. We pledge, Mr. Chairman, that we will use the VA's procurement dollar to assist these small business firms within the restraint of our resources.

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions.

Mr. IRELAND. Thank you, Mr. Cook. You are a very decentralized procurement operation. There is no question about that. Do you find that this works very well? Maybe if you would comment on some of the problems of procurement that Mr. Evans mentioned. Does that make it difficult?

Mr. COOK. The difficulty—if I understand your question, Mr. Chairman—in dealing for example with the Small Business Administration on a decentralized basis is a problem. Like the others before me, I could say that our relations with the headquarters staff, the cooperation we receive, and the action we receive from them is very good. This is not as true when you get out into the

regions. This impacts our abilities. One of our concerns, and this impacts again the decentralized nature is that it is not always apparent, there is uniformity of interpretations of Small Business Administration's own programs.

Mr. IRELAND. Do you have the Small Business Administration, and/or the Office of Advocacy coming to you from time to time with suggestions and ideas, or do you pretty much have to seek them out?

Mr. COOK. Their Office of Advocacy has only been to us once in a number of years since it was established. Some of the other staff offices within Small Business Administration do come to us initiating new ideas or at least new programs for commonly used products that we might consider for small business concerns.

Mr. IRELAND. How would you characterize the line of communication with the small businessman? Are your publications and programs enough? I see very graphically that the market for small business service that Mr. Evans has is probably a lot more sophisticated market than what you are buying, as well as what GSA is buying. Can the SBA help or can we help?

Mr. COOK. The SBA certainly could help in terms of—I think Mr. Madison mentioned this—they had identified a number of requirements to SBA which they were willing to commit to one of the reserved procurement programs and they didn't get any takers. We have had the same experience in that SBA has not furnished us, in many cases, with qualified firms or say they are not available.

Since we are in the Veterans' Administration, our basic procurement is in health care field that services the Nation. It does not just exist for the Federal Government. I, too, feel that there must be some people out there that neither we nor they are finding. We may very well benefit from some assistance.

Mr. IRELAND. I'm afraid there are a number of them out there that are simply turned off by the process they must go through. It has to be tough.

Mr. COOK. Mr. Evans mentioned the paperwork, where you use a sixteenth of an inch to describe what it is you want, and 5 inches of bureaucratic boiler plates to go along with it. I have had personal experience of a small businessman saying: I don't want to do business with the Federal Government; I don't know what I'm getting into when I sign a contract with all those words in it.

Mr. IRELAND. Then they cannot afford a high-priced lawyer to tell them.

Mr. Topping, do you have a question?

Mr. TOPPING. No; thank you, Mr. Chairman.

Mr. IRELAND. Does our chief counsel have anything?

Mr. LYNCH. We may send you a question or two.

[Mr. Cook's responses follow:]

RESPONSES OF CLYDE C. COOK, ASSISTANT ADMINISTRATOR FOR SUPPLY SERVICES, VETERANS' ADMINISTRATION

Question. How will the budget cuts affect the programs you have set up to aid small businesses? Specifically, where in the programs will you find the cuts taking place?

Answer. It is uncertain how much the procurement budget will bear of the agency wide reductions, although we anticipate the procurement budgets will be reduced. Since much of our procurement expenditures are not amenable to reduction

and are with other than small businesses (e.g., utility contracts, contract hospitalization, contracts for scarce medical specialists, contracts for proprietary drugs, etc.), the impact of our procurement budget reductions will probably be in commodity and service categories which are traditionally susceptible to socio-economic consideration. Consequently, we can predict that the budget cuts will result in not only reductions in socio-economic procurements in real dollar terms but also as a percentage of all procurements.

Question. What proportion of the VA's budget is now going toward your small business programs?

Answer. In fiscal year 1980, 40 percent of all prime procurement awards were with small business. Additionally, 8.5 percent of our prime procurements were with qualifying labor surplus area concerns, 1 percent with women-owned firms, and 4 percent with minority-owned firms. Furthermore, we expect that approximately 12.5 percent of our prime procurement dollar awards will be passed through to small and disadvantaged business concerns pursuant to our subcontracting programs prescribed by Public Law 95-507.

Question. As you know, Portland will probably be the site for the building of a new veterans hospital. Can you tell me how the VA will offer contract service opportunities to area small businesses?

Answer. The prime contract for the new Portland facility will be of such a large dollar magnitude that, by definition, the award will go to a large business concern. However, we anticipate that as much as 85 percent of the actual work will be performed through subcontractors. Consequently, our subcontracting programs will ensure that local contractors, suppliers and construction workers benefit from the Portland construction project. Once the Portland facility is activated the area small businesses in the service, construction and commodity sectors will benefit from the continuous requirements for hospital operations. It should be emphasized that our procurement history shows that well over 50 percent of our medical center procurement awards are with small business concerns.

Question. How are you attempting to simplify the policies and contracting procedures you are currently using so as to encourage more small business participation?

Answer. Since the Veterans Administration is not a regulatory agency in the standard sense, we have not established reporting requirements upon our contractors which are not already required by statute or other regulatory requirements. I might add in this regard that the reporting requirements for small business are less than for large business.

We are somewhat constrained from further simplifying procurement procedures and policies which are currently prescribed. What we have accomplished which will assist small business firms in doing business with the VA is to encourage the use of certain procurement techniques. For instance, we have emphasized the use of blanket purchase agreements which provide a simplified procedure for frequent purchasing with a single vendor. We also predict that increased use of option year contracting will provide an opportunity for small business to more equitably amortize capital investments they must make for contract performance.

Question. Do you feel you are doing enough to help our small businesses or does more need to be done?

Answer. I believe we currently have a very active small business program. We are actively using the SBA Procurement Automated Source System. We also participate in small business seminars and the Labor Surplus Area Demonstration Outreach Program.

I think the program efforts currently existing are cost beneficial. Proposals for further program efforts and expansions must be carefully analyzed to ensure that we have made appropriate resource allocations. Funding for certain preferential procurement research might be helpful in this regard. For instance we might experiment with unrestricted solicitations with a certain percentage margin for small business. A similar experiment is being employed for the LSA program. The advantage of such an experiment is the ability to assess the costs of the preferential procurement programs, provide line item budgeting for such costs and perhaps, most importantly, we can identify specific commodities or service areas in which small businesses are at significant disadvantage.

Question. Will what you're doing now survive?

Answer. I do not anticipate that any of our current socio-economic procurement efforts will change although budget cuts will diminish our accomplishments.

Mr. IRELAND. We appreciate your sending us the publications and thank you for your testimony here. With that, we are adjourned.

[Whereupon, at 11:15 a.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

FEDERAL ASSISTANCE TO SMALL BUSINESS

WEDNESDAY, SEPTEMBER 23, 1981

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EXPORT OPPORTUNITIES
AND SPECIAL SMALL BUSINESS PROBLEMS,
COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met pursuant to notice, at 9:30 a.m., in room 2359-B, Rayburn House Office Building, Hon. Andy Ireland (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN IRELAND

Mr. IRELAND. Good morning everybody. We continue our series of hearings on Federal assistance to small business. Yesterday, we heard some very impressive testimony from several agencies and departments. And, I think we will probably be open to the same this morning.

We begin today with the Department of Housing and Urban Development. We also have the Department of Labor and the Export-Import Bank. The first witness is Bernice Williams. She is accompanied by Mr. Coffey and Mr. Durkin.

Mr. Coffey, it is nice to see you again. We have had some dealings before, very favorable and pleasant.

Mr. COFFEY. Thank you, Mr. Chairman, it's a pleasure to be here.

Mr. IRELAND. Ms. Williams, if you will lead off.

TESTIMONY OF BERNICE WILLIAMS, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, ACCOMPANIED BY CRAIG DURKIN, DEPUTY DIRECTOR, OFFICE OF PROCUREMENTS AND CONTRACTS; AND ALAN COFFEY, DEPUTY GENERAL COUNSEL

Ms. WILLIAMS. Mr. Chairman, members of the subcommittee I welcome this opportunity to come before you to discuss HUD's efforts to assist small business. I am Bernice Williams, Director of the Office of Small and Disadvantaged Business Utilization. As stated earlier, I am accompanied by Alan Coffey, Deputy General Counsel and Craig Durkin, Deputy Director of Office of Procurement and Contracts.

Mr. Chairman, with your permission, I would like to present a summary highlight of my prepared statement and request that the full statement be made part of the record.

Mr. IRELAND. Without objection.

Ms. WILLIAMS. It is the policy of the Department of Housing and Urban Development to place, to the maximum extent possible, a portion of the department's total contracting requirement to small businesses.

Early in his administration, Secretary Pierce recognized the importance of small business participation in HUD activities and issued a memorandum to the Assistant Secretaries and principal staff of HUD emphasizing that the Office of Small and Disadvantaged Business Utilization would play a key role in the procurement activities of the Department. I will now address specific responses to each of your areas of inquiry.

Any specific programs you have designed to specifically aid small business: In the case of large procurements, $500,000 or more, in which there may be substantial opportunity for subcontract opportunity, we have required bidders to provide details concerning the extent of their proposed subcontracting with small and disadvantaged businesses. Selections are based in part on points given for the extent of such proposed subcontracting in the factors for award of solicitations.

Upon selection, a formal subcontracting plan is negotiated as required under Public Law 95-507. Satisfactory compliance with that plan becomes a factor, along with technical accomplishment on which the success or failure of the project is judged. We believe use of the factors for award coupled with Public Law 95-507 prove to be more effective because prime contractors are encouraged to make commitments while they are still competing for the contract.

Specific programs were designed by the Office of the Assistant Secretary for Fair Housing and Equal Opportunity and the Office of the Assistant Secretary for Housing to aid small businesses. FHEO and the Office of Housing have initiated a set-aside housing construction program for 1,500 units of section 8 housing for fiscal year 1981. This program will aid between 50 to 125 small contractors and developers.

Under the minority bank deposit program, jointly administered by HUD and the Department of Treasury, more than 150 minority owned commercial banks and savings and loans associations will have received approximately $90 million in average daily balance deposits per quarter in fiscal year 1981 as a result of HUD funded activities.

Historically, more than 95 percent of our acquired property procurement dollars under the Office of Housing go to small business firms. In fiscal year 1980, $123,364,000 of a total expenditure of $123,695,000 was awarded to small business firms. For construction contractors, HUD has a small business class set-aside for construction procurement between $2,000 and $1 million on acquired properties. Approximately $28 million of acquired property procurement was awarded in this set-aside in fiscal year 1980.

The consolidated supply program for public housing also serves small businesses. Total purchases through the consolidated supply program in 1980 were approximately $100 million, 50 percent of which were with small and minority owned business enterprises.

Most recently, the Consolidated Supply Program Office and the Office of Small and Disadvantaged Business Utilization worked with a small minority appliance distributor and various program

offices of HUD. As a result of CSP and OSDBU's efforts, the firm: (1) Established relationships with a major parts distributor in Cambridge, Mass., to market their products to public housing authorities; (2) is currently in the process of meeting with another major manufacturer to discuss a joint effort to secure a contract to provide front-loading washers and refrigerators; (3) has a tentative commitment for a 1-year contract for ranges for consolidated supply program; and (4) is involved in negotiations with General Electric Corp., for a 1-year contract to supply ranges and refrigerators for the consolidated supply program.

The second area of your inquiry concerns any special offices or individuals we have assigned to assist small business. A small business specialist who reports to the Director, Office of Procurement and Contracts Administration, has been assigned responsibility for HUD Headquarters procurement. This specialist and OSDBU's staff meet with more than eight small businesses weekly, spending an average of a half hour in each meeting.

You also inquired about publications offered to small businesses. There are several program offices involved in this effort. For example, HUD's Office of International Affairs provides data on foreign research and program experience needed in support of domestic programs. The Office of International Affairs systematically gathers material through its various bilateral and multilateral programs and through numerous informal arrangements. Much of this same data has proven to be valuable to U.S. businesses seeking to sell goods and services overseas.

A list of related HUD publications is provided in the appendix. Many of these publications are disseminated to small businesses during their meeting with OSDBU's staff, small business technical advisers and contract coordinators.

Concerning the last areas of your inquiry, (d) any significant actions or plans to assist small business; and any other activities—several items will be of interest. On July 30, 1981, Secretary Pierce established a task force to design and provide an accurate system for reporting technical and statistical information system on the participation of small, disadvantaged, women owned and labor surplus area businesses. The efforts of the task force will positively impact on small business participation in HUD activities.

In addition, the Department is currently reviewing an advance procurement planning system. Under this system, each departmental program area director will prepare a procurement plan which contains all contract requirements over $10,000 to be awarded during fiscal year 1982 at HUD headquarters.

Thank you for this opportunity to inform you of HUD's activities on behalf of small businesses. At this time, I and/or my HUD colleagues would be pleased to address your questions.

[Ms. Williams' prepared statement and attachments follow:]

PREPARED STATEMENT OF BERNICE WILLIAMS, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. Chairman and Members of the Committee, I welcome this opportunity to come before you to discuss HUD's efforts to assist small business.

I am Bernice Williams, Director, Office of Small and Disadvantaged Business Utilization, Department of Housing and Urban Development.

The Small Business Act, enacted July 18, 1958 declares that the economic well-being and the security of this nation depends upon the expansion of free competition which, in turn, requires that special aid, protection and assistance be given to small businesses. Giving special consideration to small businesses is a national goal and economic policy which has been affirmed by every President and every Congress since 1958.

It is the policy of the Department of HUD to place, to the maximum extent possible, a portion of the Department's total contracting requirements with small businesses. HUD has adopted, in compliance with SBA regulations, special procurement procedures and a management tracking system which are designed to increase the participation of small businesses. This participation includes both contracting and subcontracting opportunities. An integral part of the process for increased small business participation is the establishment of realistic goals which can be monitored and evaluated.

In order to coordinate and support the system of increasing business participation of Small Business, HUD has established an office of Small and Disadvantaged Business Utilization (OSDBU) in the Office of the Secretary. This office has the responsibility for:

Serving as a liaison between HUD program offices and the small business community.

Administering internal program processes which translate goals into contracts.

Providing a clearinghouse of information, such as names, and addresses of small firms which have been registered as competent to do business with HUD.

Identifying set-asides.

Providing technical assistance (including advice on the preparation of proposals and tips on how to do business with HUD).

Training HUD headquarters and field personnel who have contracting responsibility.

Providing support to all program offices in expanding procurement opportunities to small businesses.

Small business technical advisors and contract coordinators have been assigned to each major program office, in order to keep OSDBU apprised of day to day procurement activities. They also communicate directly with small business firms on procurement opportunities.

Early in his administration, Secretary Pierce recognized the importance of small business participation in HUD activities and issued a memorandum to the Assistant Secretaries and principal staff of HUD emphasizing that OSDBU will play a key role in the procurement activities of the Department.

The OSDBU serves as the focal point for implementation of the Department's procurement activities for Procurement Preference Programs (small and disadvantaged businesses; women-owned businesses; firms in labor surplus areas and historically Black colleges and universities).

With this overview, I can now address specific responses to each of the areas of your inquiry: (a) Any specific programs you have designed to specifically aid small business.

In the case of large procurements ($500,000 or more), in which there may be substantial opportunity for subcontract opportunity, we have required bidders to provide details concerning the extent of proposed subcontracting with small and disadvantaged businesses. Points are given in the Factors for Award of solicitations, upon which selections are based for the extent of such proposed subcontracting. Upon selection, a formal subcontracting plan is negotiated as required under Public Law 95–507. Satisfactory compliance with that plan becomes a factor, along with technical accomplishment, on which the success or failure of the project is judged. We believe use of the factors for award coupled with provisions of Public Law 95–507 prove to be more effective, because prime contractors are encouraged to make commitments while they are still competing for the contract.

Specific programs were designed by the Office of the Assistant Secretary of Fair Housing and Equal Opportunity (FHEO) and the Office of the Assistant Secretary for Housing to aid small businesses. FHEO and the Office of Housing have initiated a Set-Aside Housing Construction Program for 1,500 units of Section 8 housing for fiscal year 1981. This program will aid between 50-125 small contractors and developers.

Under the Minority Bank Deposit Program, jointly administered by HUD and the Department of Treasury, more than 150 minority-owned commercial banks and savings and loan associations will receive approximately $90 million in average daily balance deposits per quarter in fiscal year 1981 as a result of HUD-funded activities.

Another program for Minority Business Enterprises (MBE's) is the Comprehensive Improvement Assistance Program (CIAP) which requires that participating Public Housing Agencies provide every opportunity for MBE's to participate in bidding for modernization work. Each Public Housing Agency must establish a goal to award at least 20 percent of the total dollar value of its modernization contracts to MBE's. Satisfactory progress by the Public Housing Agency in meeting this goal shall be a factor in determining future modernization (CIAP) funding.

Historically, more than 95 percent of our acquired property procurement dollars under the Office of Housing go to small business firms. In fiscal year 1980 $123,364,000 of a total expenditure of $123,695,000 was awarded to small business firms. For construction contractors, HUD has a Small Business Class Set-aside for construction procurements between $2,000 and one million dollars on acquired properties. Approximately $28 million of acquired property procurement was awarded in this set-aside in fiscal year 1980.

The Consolidated Supply Program (CSP) for Public Housing also serves small businesses. The CSP was initiated in 1954 to provide purchasing discounts to Public Housing Agencies (PHAs) to acquire maintenance equipment, household appliances and related goods.

Total purchases through CSP in 1980 were approximately $100,000,000, 50 percent of which were with small and minority-owned business enterprises. Most of the purchases made through small business organizations were for commodities such as paint, plumbing supplies, room heaters, water closet seats, community room furnishings, kitchen cabinets, aluminum windows, and prime replacement doors.

Most recently, CSP and OSDBU worked with a small minority appliance distributor and various program offices of HUD. As a result of CSP and OSDBU's efforts, the firm: (1) Established relationships with a major parts distributor in Cambridge, Massachusetts to market their products to public housing authorities; (2) is currently in the process of meeting with another major manufacturer to discuss a joint effort to secure a contract to provide front-loading washers and refrigerators; (3) has a tentative commitment for a one-year contract for ranges for CSP; and (4) is involved in negotiations with General Electric Corporation for a one-year contract to supply ranges and refrigerators for the CSP.

Under our Indian housing program, it is required that preference be provided to Indians in employment and training and to Indian-owned enterprises in contracting. The vast majority of Indian-owned enterprises are small firms, and by providing preference to Indian-owned firms we are, in most cases, providing preference to small businesses. As a result, all prime and subcontracts for the development and operation of Indian housing are required to be performed by Indian-owned enterprises, except in those cases where such contracting is found not to be feasible.

The second area of your inquiry concerns: (b) any special offices or individuals you have assigned to assist small business.

The general role of OSDBU and FHEO were covered in the previous section. Names of the Small Business Technical Advisors and Contract Coordinators serving both OSDBU and FHEO are listed in the appendix.

A small business specialist who reports to the Director, Office of Procurement and Contracts Administration, has been assigned responsibility for HUD Headquarters procurement. This specialist and OSDBU's staff meet with more than eight small businesses weekly, spending an average of a half hour for each meeting.

You also inquired about: (c) publications offered to interested small businesses. There are several program offices involved in this effort.

For example, HUD's Office of International Affairs (OIA) provides data on foreign research and program experience needed in support of domestic programs. OIA systematically gathers material through its various bilateral and multi-lateral programs and through numerous informal arrangements. Much of this same data has proven to be valuable to U.S. businesses seeking to sell goods and services overseas. Statistics on urbanization rates, the building industry, building needs, descriptions of institutional arrangements and details on local financial mechanisms are among the types of data provided on request to U.S. businesses seeking direct involvement or affiliation with larger firms or host government activity. By consultation with OIA staff, businesses may obtain computer searches of the foreign data base and publications.

A list of related HUD publications is provided in the appendix. Many of these publications are disseminated to small businesses during their meeting with OSDBU's staff, small business technical advisors and contract coordinators.

Concerning the last areas of your inquiry, (d) any significant actions, or plans to . . . assist small business; and (e) any other activities . . . several items will be of interest.

On July 30, 1981, Secretary Pierce established the Task Force to design and provide an accurate system for reporting technical and statistical information system on the participation of small, disadvantaged, women-owned and labor surplus area businesses. The efforts of the task force will positively impact on small business participation in HUD activities.

In addition, the Department is currently reviewing an Advance Procurement Planning System (APPS). Under APPS each Departmental Program Area Director will prepare a procurement plan which contains all contract requirements over $10,000 to be awarded during fiscal year 1982 at HUD Headquarters. This system is expected to promote efficient and economical procurement as well as assisting my office in developing and monitoring the Department's Procurement Preference Program goals.

Thank you for this opportunity to inform you of HUD's activities on behalf of small businesses.

At this time, I and/or my HUD colleagues would be pleased to address your questions.

APPENDIX

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Attachment 1: Secretary Pierce's Memorandum of May 18, 1981.
Attachment 2: Selected Publications.
Attachment 3: Contact Persons.

[Attachment 1]

SECRETARY OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., May 18, 1981.

Memorandum for: Principal Staff.
Subject: Role of the Office of Small and Disadvantaged Business Utilization.

As we proceed into the new administration, the Office of Small and Disadvantaged Business Utilization (SDBU) will play a key role in the Department's direct procurement programs under the provisions of P.L. 95-507. This Act amends the Small Business Act and the Small Business Investment Act of 1958 and provides that small business and disadvantaged business shall have the maximum practicable opportunity to participate in the performance of contracts awarded by any Federal agency.

This office is headed by Bernice Williams, Director, who will also serve as an advisor to me and other Departmental officials on issues concerning the participation of small businesses, disadvantaged businesses, women-owned businesses, labor surplus area business concerns, and historically Black colleges and universities in the contracting activities of this Department. With references to Minority Business Enterprise programs, the Director of SDBU will perform staff roles for me with respect to MBE functions.

SDBU will monitor all subcontracts for compliance with provisions of P.L. 95-507, for direct procurement of services, equipment, supplies, and materials, which are anticipated to exceed $500,000, or in the case of contracts for construction of any public facility, $1,000,000.

SDBU is also responsible for ensuring that goals for small and disadvantaged businesses are achieved by HUD.

The SBDU programs have my personal endorsement and I am asking that each of you ensure that your staff members who have the responsibility for procurement functions are informed of the importance of carrying out the mandate of P.L. 95-507. Accordingly, the Director of SDBU will be expected to evaluate the progress of this activity.

SDBU is located in Room 10226, extension 51429. Ms. Williams and her staff look forward to working closely with you in achieving the objectives of the Office of Small and Disadvantaged Business Utilization.

SAMUEL R. PIERCE, Jr.

[Attachment 2]

U.S. Department of Housing and Urban Development

PUBLICATIONS

Departmental programs

Fiscal Year 1981 Research and Technology Program, Office of Policy Development and Research.

Building Standards, Codes, and Regulations Abroad: A Bibliography, Office of International Affairs.

Directory of Foreign Institutions Concerned with Building Standards, Codes and Regulations, Office of International Affairs.

Housing and Urban Development in the United Kingdom, Office of International Affairs.

Departmental Purchases Listing,[1] Office of Small and Disadvantaged Business Utilization.

HUD International Services Available to HUD-Related Businesses in International Trade.

Foreign Information Retrieval System, Office of International Affairs.

Manual on Business Opportunities for Small and Minority Businesses.

[Attachment 3]

Office of Small and Disadvantaged Business Utilization

SMALL BUSINESS TECHNICAL ADVISORS AND CONTRACT COORDINATORS

The following contact persons can provide additional information for their specific program area:

Housing

Paul Williams, Director, Office of Management, Room 9114, (202) 755-6654.

The consolidated supply program

Clarence Meadows, Chief, Supply Management Branch, Office of Public Housing (202) 755-5840.

Contract coordinator:

Office of Single Family Housing and Mortgage Activities: Robert Hunt (202) 755-6675.

Office of Multifamily Housing Programs: Ted Wood (202) 755-6887.

Office of Public Housing and Indian Programs: Don Chinn (202) 755-2257.

Policy development and research (P.D. & R.)

Charles Taylor, Director of Division Budget, Contracts and Program Control (202) 755-8238.

Contract coordinators

Office of Policy Development: James Beasley (202) 755-8238.

Office of Economic Affairs: Lenora Brown (202) 755-5630.

Office of Research: Benito Lopez (202) 755-5630.

Administration

Lydia Jackson, Small Business Specialist, Office of Procurement and Contracts (202) 724-0038.

Contract coordinator

ADP Systems Development: Brooks Dickerson (202) 755-5308.

Community planning and development (C.P. & D.)

I. Toni Thomas (202) 755-5564.

Fair housing and equal opportunity

Tom Jenkins, Deputy Assistant Secretary for Operations and Management (202) 755-6211.

---

[1] Unpublished.

Public affairs
Charles Cogan, Associate Deputy for Policy Support (202) 755–7120.

New community development corporation [1]
Sue Mitchell, Director, Program Management Division (202) 755–5365.

Government national mortgage association [1]
R. Frederick Taylor, Executive Vice President (202) 755–5926.

Office of the Inspector General [1]
Assistant Inspector General for Audit (202) 755–6342.

Mr. IRELAND. Thank you very much. Let me ask you just a general question. A lot of activities require dealing with the Small Business Administration, and again with the preface for everyone that this is not a witch hunt, vis-a-vis the Small Business Administration, what kind of relationship do you have with the SBA? I'm sure all of us, including SBA, would appreciate this kind of a discussion.

Ms. WILLIAMS. My experience with SBA has been positive. We interface with them very closely in establishing procurement preference goals, including the 8(a) program. They have responded rather quickly to all our requests.

Mr. IRELAND. Do you have that kind of interface with them in your offices throughout the country or is this just headquarters?

Ms. WILLIAMS. Headquarters.

Mr. IRELAND. What about throughout the country, especially the 8(a) programs?

Ms. WILLIAMS. I have not had any interface with their regional offices, only the central office.

Mr. IRELAND. How about your regional offices and their regional offices?

Mr. DURKIN. All I can say, Mr. Chairman, is we have regional coordinators out in the field. I'm not aware of any negative reports, but I'm not familiar with how they would characterize their relationship with the SBA regional people.

Mr. IRELAND. Do you get quick response to the 8(a) requests?

Mr. DURKIN. If you are talking about the regions, I'm not aware of what type of service they are getting, other than not hearing any complaints about it from our regional contracting officers. They would generally surface that type of problem, if there are any.

Mr. IRELAND. Mr. Skelton?

Mr. SKELTON. What problems have you had with the SBA?

Ms. WILLIAMS. We have not had any visible or recognizable problems with SBA.

Mr. SKELTON. What areas have been the less cooperative?

Mr. DURKIN. My office interfaces with the 8(a) program. They have been going through some dramatic changes throughout the year.

Mr. SKELTON. Tell us about it. It isn't all peaches and cream. Let's hear about the other side.

Mr. DURKIN. I would say that the response time from the SBA in terms of getting firms certified for our procurements has been somewhat slow.

---

[1] Minimum procurement activity.

Mr. SKELTON. What was it initially? What length of time did you have to wait?

Mr. DURKIN. I would say approximately 2 weeks to get a formal response, but very often we had an oral response within a week. And, now it is probably taking about two weeks to get an oral response. And, with a formal response, it's taking even longer. I don't have any idea of how much longer.

Mr. SKELTON. Obviously that does cause some concern. Is that the only area of problems you have with the SBA?

Mr. DURKIN. That's the one area that my office deals with consistently.

Ms. WILLIAMS. My office deals with SBA primarily in establishing goals for procurement preference programs as well as administering the Regulatory Flexibility Act, which we will not go into at this particular hearing. One of the problems that we have had is the issuance of guidelines under this particular program. But, other than that, we have not had any major problems in dealing with SBA.

Mr. SKELTON. Thank you.

Mr. IRELAND. If I may inquire, you say your problem, in answering Mr. Skelton's question, is that you have a difficult time getting guidelines on these programs. Could you be a little more specific?

Ms. WILLIAMS. Specifically, SBA has not issued guidelines to HUD on the Regulatory Flexibility Act.

Mr. IRELAND. I have a couple other things that we want to bring out. Maybe it would help for some background, if you could enlighten me about your program, that 95 percent of your required property procurement dollars are going to small business. Could you enlighten me as to what acquired property procurement is?

Ms. WILLIAMS. Acquired is HUD-owned property.

Mr. IRELAND. Foreclosed property?

Ms. WILLIAMS. Foreclosed property.

Mr. IRELAND. Why don't people say that? You have some real bad loans over there. I'm an old banker and I'm not used to hiding things. You get some bad loans, you get someone to fix them up. Is that what you are talking about?

Ms. WILLIAMS. Yes, the foreclosed property.

Mr. IRELAND. And 95 percent of that business goes to small business?

Ms. WILLIAMS. Yes.

Mr. IRELAND. Then, this other group—I don't know what it is where you were doing 50 percent. By the way, I think that's great. There is no question about that. I just want to figure out what it was. This other group that you mentioned here had 50 percent of——

Ms. WILLIAMS. The consolidated supply program total purchases for 1980 were approximately $100 million, 50 percent of which were with small and minority-owned business enterprises.

Mr. IRELAND. Yes; now what was that?

Ms. WILLIAMS. The consolidated supply program was established some years ago for the purpose of prequalifying vendors selling to public housing authorities in quantities at a discount rate. The program wasn't designed specifically to cater to small business, but it

just happens that most of the contractors that have participated in the program have been small businesses.

Mr. IRELAND. You require supplies as a central buying operation. Then, you sell them, theoretically, in quantity and then you sell them at a reduced price to housing authorities?

Mr. DURKIN. National contracts are negotiated by the Consolidated Supply Office. The public housing authorities buy off of those contracts using the moneys they get from HUD subsidies. We simply negotiate the national contracts which they can use to purchase their supplies.

Mr. IRELAND. For the most part, 50 percent of that goes to small business?

Ms. WILLIAMS. Yes.

Mr. IRELAND. The HUD headquarters procurement, would you describe what is included in that?

Ms. WILLIAMS. HUD headquarters procurement can range from consultant services, office supplies, or procurement requirements that the Department might have other than that of construction that would come under the acquired property disposition.

Mr. IRELAND. That's under the properties that you have in managing, that you have acquired; is that right?

Ms. WILLIAMS. It is acquired property.

Mr. IRELAND. Why isn't that under this other category where you have 50 percent? You have HUD headquarters procurement and you have acquired properties procurement. Is that what you're telling me; it's the same thing?

Mr. DURKIN. Acquired properties is decentralized from HUD area and offices all throughout the country.

Mr. IRELAND. And, what is the HUD headquarters?

Mr. DURKIN. Acquisition of supplies, ADP services, training, consulting, contracts, research and development for HUD headquarters.

Mr. IRELAND. It has nothing to do with acquired properties?

Ms. WILLIAMS. No.

Mr. IRELAND. I misunderstood that. I'm curious about the specialist who reports to the Director of the Office of Procurement and Contracts and is responsible for HUD headquarters procurement. This gentleman or lady, whoever, sees an average of eight small businesses weekly, which when you take out 2 weeks for Christmas and New Year's, would mean that you see 400 small businesses a year. There are reportedly 14 million in the United States. In your operation, if I'm correct in what you say, headquarters is procuring for an awful lot of things. It seems like for what you are procuring nationwide, you are only touching a very precious few small businesses.

Ms. WILLIAMS. The small business specialist who reports to the Office of Procurement and Contracts and OSDBU staff meet with about eight small businesses per week. So, it's a combination of the Office of Procurement and Contracts and the Office of Small and Disadvantaged Business Utilization.

In light of the fact that we are seeing maybe eight small businesses, we are continually extending our outreach effort.

Mr. IRELAND. That's what I'm saying. To put it in perspective, that's 400 a year. There are 14 million small businesses and you

have literally billions of dollars that you purchase things with. I don't say this in any hostile fashion. I'm just pointing out the numbers. It's almost ludicrous that you are touching such a tiny, tiny part, and you have an awful lot of money that you are spending out there. Eight a week is not going to make very much of a dent on the knowledge to small business of what you have available to purchase.

Ms. WILLIAMS. This is only for my immediate office with regard to central office procurement.

Mr. IRELAND. In other words, you are talking about what you use right here in Washington, D.C.?

Ms. WILLIAMS. In the central office, yes.

We also have other small business specialists in the central office and in the field offices who meet with small businesses throughout the country.

Mr. IRELAND. That's good information. Now, who are they meeting with? Are they meeting with people in the area? What do they do next? How do they get the small businesses in that they meet with? Who do they talk to and how do you let small businesses know that so and so in Milwaukee, working with HUD has some money to spend?

Ms. WILLIAMS. We maintain a working relationship with the field offices. My office is gearing up to do a complete assessment of the field offices to make a determination as to whether or not there is a need for additional small and minority business specialists.

In addition the small businesses in areas other than the Washington, D.C., metro area who are interested in doing business with HUD, are encouraged to go to HUD field offices to express an interest in being considered for procurement opportunities. Additionally, we extend our outreach efforts by participating with trade associations, not only here in Washington, but throughout the country. For example, representatives from HUD headquarters participated in a conference recently in Houston, Tex. Naturally, those small businesses that are interested in HUD procurement would not want to come to Washington to be considered for contracts; they would go to the closest regional or area office.

Mr. IRELAND. Do you have anything on what your regional offices do in these programs that you could submit for the record? And just, give us a report, not unlike you say in the headquarters involving the eight people a week. Who are they talking to and how many offices are there? And, whether they are making any dent on the operation.

Mr. DURKIN. We will be happy to supply you with that.

Mr. IRELAND. Does our minority counsel have anything?

Mr. TOPPING. About the budget cuts, how will they affect you insofar as staff and procurement dollars are concerned, and as they relate to small business activities? Is small business going to be cut proportionately more than the other programs or less or the same?

Ms. WILLIAMS. I don't think they will be cut more than any other program. However, with the budget cuts small business will be impacted, but other areas as well, both from a percentage and dollars standpoint.

Mr. TOPPING. Small business will not be impacted more than any other aspect of your program?

BEST COPY AVAILABLE

Ms. WILLIAMS. No; I don't think so.

Mr. TOPPING. How much of your set-aside program is geared to minority enterprise as contrasted to small businesses generally? How much of your small business program is restricted to minority enterprises?

Ms. WILLIAMS. We can provide you with the goals that were submitted for minority and small businesses for fiscal year 1981 and the current goals for fiscal year 1982 which will reflect the percentage of small and minority businesses.

Mr. TOPPING. Thank you. Mr. Chairman, I think I would like to have that information. It would be of use to us. I would like to know if they are helping small business generally or minority enterprise or vice versa.

Mr. IRELAND. We appreciate that. Thank you.

Does the staff director have a question?

Mr. LYNCH. Yesterday, the four agencies here basically told us as far as Federal procurement policies go, that: (a) There were too many; (b) they are too confusing; and (c) they are burdensome. Finally, two agencies commented that they have an outreach program where they bring small business people in, sit them down, say we have these contracts to offer. Yet, when the small business people sit down and look at the size of the contract, they stop trying to read it and respond: "I really need a lawyer to figure this out and I just don't think I want to bother doing business with the Government."

Do you find those problems that I have just described?

Ms. WILLIAMS. Yes. We have encountered those type problems.

Mr. LYNCH. Do you believe we can simplify the policies and contracting procedures generally?

Mr. DURKIN. Yes, I think we can. And, I think the Congress has recognized the problem in the Office of Federal Procurement Policies; it's about to publish comments that address the complexity of the regulations and lack of uniformity might be in the regulations. We are waiting until next week to see the draft of that new proposal.

Mr. IRELAND. Do you all feel that you have had an adequate opportunity to participate?

Mr. DURKIN. Yes.

Ms. WILLIAMS. In addition, HUD procurement regulations will be reviewed under the Regulatory Flexibility Act.

Mr. IRELAND. Thank you all very much. We appreciate it. Thank you for being here.

[Ms. Williams submitted the following additional information:]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., November 17, 1981.

Hon. ANDY IRELAND,
Chairman, Subcommittee on Export Opportunities and Special Small Business Problems, House of Representatives, Washington, D.C.

DEAR MR. IRELAND: This is in response to your letter of October 23, 1981 regarding the Department of Housing and Urban Development's small business programs. The following information addresses your questions, in the order in which they appear in your letter.

"1. How will the budget cuts affect the programs you have set up to aid small businesses? Specifically, where in the programs will you find the cuts taking place?"

The budget cuts are not expected to affect the Office of Small and Disadvantaged Business Utilization. This Office was expanded from one professional to two professionals and one support staff under this Administration.

"2. What proportion of HUD's budget is now going toward your small business programs?"

	Total	Small business	Percentage
Fiscal year 1981	(1)	(1)	(1)
Fiscal year 1980	$211,519,000	$145,644,000	68.5
Fiscal year 1979	288,196,000	163,474,000	56.7
Fiscal year 1978	348,066,000	193,113,000	55.5

[1] Data not yet available.

"3. How many regional offices do you have and how are they staffed?"

There are ten (10) HUD Regional Offices. The typical small business related staffing pattern in the Regional Offices consists of at least one professional staff person designated in each of the three following Regional program offices: (1) Fair Housing and Equal Opportunity, (2) Community Planning and Development, and (3) Housing.

"4. In your prepared statement of September 23 you said your headquarter's office contacts 8 small businesses a week. How many small businesses do your regional offices contact in one week?"

The eight (8) small businesses contacted each week, referred to in my September 23d testimony, only represent the activities of my immediate office and one small business specialist in the Office of Procurement and Contracts. This figure does not include the small business contacts made weekly by seventeen (17) other headquarter Small Business Technical Advisors and Contract Coordinators designated in each program office having procurement responsibilities. Additionally, it does not represent small business contacts made by telephone and through written correspondence.

The following are the Regional Offices weekly contacts with small businesses:

Region I,—Boston	[1] 2
Region II,—New York	3
Region III,—Philadelphia	20
Region IV,—Atlanta	[1] 12
Region V,—Chicago	35
Region VI,—Fort Worth	28
Region VII,—Kansas City	[1] 4
Region VIII,—Denver	5
Region IX,—San Francisco	5
Region X,—Seattle	[1] 2
Total	116

[1] Estimated.

"5. Could you provide the Subcommittee with a list of your goals that were submitted for minority and small businesses for fiscal year 1981? Could you also provide us with your current goals for fiscal year 1982?"

See Appendix A.

"6. How are you attempting to simplify the policies and contracting procedures you are currently using so as to encourage more small business participation?"

Most contracting procedures are dictated by laws and regulations. However, whenever possible, we look to reduce the burden on small businesses. The Office of Procurement and Contracts and the Office of Small and Disadvantaged Business Utilization are working closely together to identify new areas which may be simplified.

"7. Do you feel you are doing enough to help our small businesses or does more need to be done?"

Conditions in the ten (10) HUD Regional areas vary greatly and a wide variety of responses were developed with respect to the adequacy of assistance to small businesses. For the most part, the Regions expressed that more could be done. The actual proportion of field procurements going to small business concerns ranged from 75 percent for the Kansas City Regional Office to 95 percent for the Fort Worth Regional Office. All Regional offices reported that assistance could be increased if additional personnel were made available or if other required services could be reduced.

With respect to meeting the procurement goals set at the Regional levels, reports indicate that these goals are being met or exceeded. In one case, the Kansas City Regional Office, exceeded its goal, to a level of 208 percent. Given the small business orientation of the field procurements, goals for small business procurements may have been set relatively low. However, these concerns will be the subject of additional review in order to more fully meet the intentions of the goal setting process.

Recommendations regarding additional efforts also varied greatly from each of the Regional Offices. Suggestions included increasing the personnel evaluation dependence on serving small business concerns for all field program offices, establishing small business committees to advise Regional Offices, conducting further research on effective ways to reduce standard bonding requirements used by private industry that limit the range of contracting for many small businesses, incorporating increased requirements for small business participation in programs like Urban Development Action Grants, etc. Other suggestions included promoting the use of small businesses among the major trade and professional associations which generally represent larger businesses. Many of the suggestions appear reasonable and doable even under the additional pending budget reductions and will be subjected to cost/benefit review for appropriate Department policy determination.

"8. Will what you're doing now survive?"

Existing efforts on behalf of small business are expected to at least maintain their proportional levels, relative to the dollar amounts available for HUD's direct and indirect procurements.

Thank you for your inquiry, we hope that the above information will be of benefit to the Committee.

Very sincerely yours,

BERNICE WILLIAMS,
Director, Office of Small and Disadvantaged Business Utilization.

APPENDIX A

FY 81 and FY 82 Procurement Goals

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROPOSED PROCUREMENT GOAL FOR PREFERENCE PROGRAMS

FY 1981

	1	2	3	4	5	6	7	8	9	10	11
	TOTAL $ ALL PRIME K's	ALL PRIME K's OVER 10	GOAL FOR SB OF PRIME K's OVER 10K	GOAL FOR 8a's	GOAL FOR PRIME K's OVER 10K TO SDB's	PRIME K's TO COLLEGES, M-P's, LARGE CORPS, (*)	PRIME K's TO W.O.B.'s	LSA	SUB-K's (total)	SUB-K's TO SMALL BUSINESS	SUB-K TO S.D.B
Administration	13,399,000	12,644,000	2,168,000 17%	765,000 5.2%	743,000 5.1%	60,000	570,000 5.3%	-0-	50,000	50,000 100%	-0-
CPD	31,417,400	30,356,400	3,642,768 12%	2,199,200 7%	3,642,800 12%	3,112,000	628,000 2%	4,553,460	2,720,000	680,000 25%	530,000 2:
FHEO	80,000	70,000	10,000 1%	-0- -0-	-0- -0-	60,000	-0- -0-	-0- -0-		-0- -0-	-0- -0-
GNMA	8,164,700	8,154,700	85,000 01%	85,000 01%	85,000	-0-	-0-	-0-	-0-	-0-	-0-
HOUSING	140,000,000	84,000,000	81,500,000 97%	5,000,000	12,600,000 15%	-0-	7,000,000 5%	76,000,000 54%	7,000,000	7,000,000 100%	3,000,000 35%
INSPECTOR GENERAL	50,000	50,000	-0- -0-	-0- -0-	-0- -0-	-0-	-0- -0-	-0- -0-	-0-	-0- -0-	-0- -0-
International Affairs	80,000	80,000	-0- -0-	-0- -0-	-0- -0-	-0-	-0- -0-	-0- -0-		-0- -0-	-0- -0-
LCR	40,000	40,000	40,000 100%	-0- -0-	40,000 100%	-0- -0-	40,000	-0-	-0-	-0-	-0-
HVACP	2,567,000	2,567,000	937,000 37%	337,000 14%	-0- -0-	700,000	237,000 10%	-0- -0-	250,000	125,000 50%	125,000 50%
NAHC	1,600,000	1,550,000	150,000 10%	-0- -0-	150,000 10%	150,000	-0- -0-	-0- -0-	900,000	225,000 25%	225,000 3%
PD&R	35,000,000	8,500,000	5,000,000 59%	1,000,000 3%	500,000 2%	700,000	500,000 2%	500,000 2%	2,000,000	2,000,000 100%	1,000,000 50%
PUBLIC AFFAIRS	945,000	800,000	200,000 25%	472,000 50%	472,000 50%	525,000	100,000 9.5%	100,000 9.5%	100,000	150,000 50%	150,000 30%
TOTAL	233,343,100	148,812,100	93,732,768	9,390,920	18,232,800	5,307,000	9,075,000 3.89%	81,153,460 35%	13,020,000	10,230,000 79%	5,030,000 39%
TOTAL PERCENTS			63%	5%	13%						
REVISED TOTAL			105,300,000								
See Attached Note.			70.8%								

BEST COPY AVAILABLE

ESTIMATE OF PRIME CONTRACT AWARDS TO BE MADE TO

(a) TRADITIONAL MINORITY COLLEGES, (b) NON-PROFIT's OPERATED/CONTROLLED BY DISADVANTAGED/MINORITY, (c) LARGE BUSINESS' OWNED/OPERATED BY DISADVANTAGED/MINORITY

	6(a) COLLEGES	6(b) NON-PROFIT	6(c) LARGE BUSINESS
Administration	0	0	60,000
CPD	628,348	2,265,000	219,000
FNRO	0	60,000	0
GNMA	0	0	0
HOUSING	0	0	0
INSPECTOR GENERAL	0	0	0
International Affairs	0	0	0
LCR	0	0	0
MVACP	200,000	500,000	0
NCDC	0	0	150,000
PD&R	200,000	500,000	0
PUBLIC AFFAIRS	50,000	300,000	175,000
TOTAL	1,078,348	3,625,000	604,000

BEST COPY AVAILABLE

BEST COPY AVAILABLE

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROPOSED PROCUREMENT GOAL FOR PREFERENCE PROGRAMS

FY 1982

	1	2	3	4	5	6	7	8	9	10
	TOTAL ALL PRIME K's	ALL PRIME K's OVER 10	GOAL FOR 8% OF PRIME K's OVER 10K	GOAL FOR 8a's	GOAL FOR PRIME K's OVER 10K TO SUB's	PRIME K's TO W.O.B.'s	LSA	SUB-K's (Total)	SUB-K's TO SMALL BUSINESS	SUB-K's TO S.D.B.'s
FDLP	10,000.0	9,900.0	4,000.0	1,200.0	400.0	400.0	400.0	2,000.0	1,300.0	700.0
CPD	15,000.0	7,392.0	2,700.0	1,350.0	1,500.0	750.0	300.0	1,360.0	680.0	1,360.0
ADMINISTRATION	19,250.0	16,925.0	2,629.5	816.5	768.3	477.5	-0-	400.0	100.0	100.0
FHEO	70.0	70.0	70.0	-	-	70.0	-	-	-	-
CHUR	301.0	299.5	106.0	106.0	-	-	-	-	-	-
HOUSING	115,050.0	49,035.0	49,035.0	4,000.0	9,500.0	2,200.0	24,000.0	3,000.0	3,000.0	300.0
NCDC	950.0	950.0	150.0	50.0	50.0	50.0		400.0	100.0	100.0
TOTAL	160,621.0	84,571.5	54,690.5	7,522.5	12,210.0	3,947.5	24,700.0	7,060.0	5,280.0	2,460.0
TOTAL PERCENTAGES	-	-	69.4%	4.7%	14.4%	2.5%	15.4%	-	74.8%	34.8%

Note: Subject to results from SBA negotiations

Mr. IRELAND. Our next witness is Mr. Walter Terry, who is the Director of the Office of Small and Disadvantaged Business Utilization for the Department of Labor.

TESTIMONY OF WALTER C. TERRY, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, DEPARTMENT OF LABOR

Mr. TERRY. Mr. Chairman, members of the subcommittee, I am pleased to provide you with this brief overview of the Department of Labor's progress in aiding, counseling, assisting, and protecting the interests of small business concerns.

During fiscal year 1980, the Department of Labor successfully implemented the requirements of the Public Law 95-507, the Small Business Act Amendments of 1978.

The Department has established a small and disadvantaged business utilization program designed to provide assistance to small business, socially and disadvantaged business 8(a), minority non-8(a) business, labor surplus area concerns and female-owned business. The program objective is to insure that these firms have an opportunity to participate in Department of Labor contractual opportunities.

The Department established an Office of Small and Disadvantaged Business Utilization on July 13, 1979. The Office consists of a Director, who reports to the Under Secretary of Labor, four other professionals and a secretary. The Director is responsible for:

One, implementing and administering those functions and duties under section 8 of the Small Business Act, as concerning amended, contracting with small and disadvantaged business firms through the Small Business Administration and prime contractors subcontracting plans; and section 15 of that act, which deals with small business participation in labor surplus areas, set-asides, and establishment of small and disadvantaged business utilization offices.

Two, maintaining liaison with the Small Business Administration on matters regarding sections 8 and 15 of the Small Business Act, as amended.

Three, developing, implementing, and administering systematic procedures for insuring the effective execution of the Small Business Act, as amended.

Four, establishing Department of Labor goals for the participation by small business concerns, and by small business concerns owned and controlled by socially and economically disadvantaged individuals, in Department procurement contracts having values of $10,000 or more.

Five, providing training to those Department of Labor employees whose duties and functions relate to sections 8 and 15.

Six, conducting outreach programs and seminars for small and disadvantaged businesses.

Seven, preparing the annual report from the Secretary to the Administrator, Small Business Administration, on the extent of participation by small business concerns, and small business concerns owned and controlled by socially and economically disadvantaged individuals, in procurement contracts by the Department.

Eight, exercising supervisory authority over Department of Labor employees to the extent that the functions and duties of such personnel relate to functions and duties under sections 8 and 15 of the act.

Nine, publishing of required information brochures, source listings and documents to inform small business concerns about developments and benefits relating to sections 8 and 15.

Ten, maintaining liaison for program procurement activities relating to small and disadvantaged businesses.

Eleven, overseeing the implementation of section 223(a) of Public Law 95-507, which deals with the provision of contract information to small business concerns.

Department of Labor agency heads are responsible for:

One, developing agency plans, consistent with agency responsibilities, to promote the objectives of the Small Business Act, as amended.

Two, conferring with agency program and procurement officials to establish agency monetary goals, and insuring that agency program and procurement officials cooperate to achieve these goals.

Three, insuring that small and disadvantaged business reports are accurate and submitted in a timely manner.

Department of Labor has also designated a specialist in each of our procuring activities to insure small and disadvantaged business participation within their respective areas.

The Director, Office of Small and Disadvantaged Business Utilization, also acts as an advocate for small business within the Department. During the past 2 years, numerous business firms and business associations have asked for assistance from this office.

We have installed a computer terminal in the Office of Small and Disadvantaged Business Utilization to access the Small Business Administration's procurement automated source system, PASS. This automated tool provides our contracting officers and prime contractors with lists of small, minority and female-owned firms desiring to do business with the Federal Government. We have found the system to be very useful.

One, the Department met all of its small, minority, female-owned and labor surplus area goals in 1980. Reductions in the budget have affected fiscal year 1981 procurements; therefore, it is possible that we may not be able to meet our fiscal year 1981 dollar goals. Every effort, however, is being made to meet our percentage goals.

Two, during fiscal year 1981, the Office of Small and Disadvantaged Business Utilization reviewed the records of nearly all Department of Labor procurement offices. Based upon these reviews we can state categorically that the Department of Labor is in complete compliance with Public Law 95-507.

Three, procurement offices were again provided training on implementation of Public Law 95-507 during fiscal year 1981. Special emphasis was directed to the requirements for subcontracting plans.

Four, during the third quarter of fiscal year 1981, Department of Labor had deposits of $61 million, 25.4 percent of the total, in minority owned banks. Average daily deposits total $240 million.

The Office of Small and Disadvantaged Business Utilization also arranged for Department of Labor participation at congressionally

sponsored Federal procurement conferences. These and similar conferences and seminars are sponsored to assist the business community. They have proven to be very helpful to small firms. During the past year, the Department of Labor, the Department of Health and Human Services, and the Small Business Administration combined to present a seminar held at the Department of Labor for small and minority firms in Washington, D.C., Maryland, and Virginia.

We have made available many publications to assist small business firms, including: "What the U.S. Department of Labor Buys," this booklet, which describes the types of services and products the Department buys, identifies the program office in which the requirement originates and describes the procedures for obtaining Department of Labor contracts. "Major Laws Administered by the U.S. Department of Labor" provides a very brief description of the laws administered by the Department and identifies the appropriate office for obtaining more detailed information. We have received thousands of requests for this pamphlet from the small business community.

The Occupational Safety and Health Administration has considered the problems of small businesses in all of its regulatory activities. Moreover, it has undertaken several special programs and established policies specifically designed to aid small businesses. Primary among these is the consultation program which was established to provide help to any employer in recognizing and correcting safety and health hazards in their workplaces through use of the free onsite consultation service funded by OSHA. This service is delivered by State governments or private sector contractors using trained professional staffs. The leaflet, "OSHA On-Site Consultation," describes this program more fully.

Another project designed to aid small business was the development of the "OSHA Handbook for Small Business" which has been provided in large numbers free of charge to owners, proprietors, and managers of small businesses. This handbook includes information on how to develop an effective safety and health program; identifying and controlling hazards; conducting employee and supervisor training, first aid and medical assistance; and developing employee awareness, acceptance, and participation. The handbook also includes self-inspection checklists and provides a variety of sources which can be used to assist small businesses in problem solving.

In another area of interest, OSHA's policy with regard to public rulemaking hearings has been established, to reduce maximally, the cost in time and money of participation by the public. Frequently, OSHA holds four public hearings or meetings in various parts of the country which are the centers of greatest interest or impact. This has enhanced significantly the ability of small businesses to have input into the development of OSHA regulations.

The Department publishes "Area Trends," a key element in the labor surplus area procurement program. The pamphlet designates areas of high unemployment and those areas which meet the criteria for labor surplus set aside procurement solicitation.

Our Employment and Training Administration has prepared three short films on small business. The films are being made

available to workshops, colleges, chambers of commerce, community organizations, and comprehensive employment training centers as well as to public and commercial television stations across the country for broadcast throughout the year. Booklets expanding upon the information in the films are provided on request. We have three booklets here. The films and supporting booklets provide a realistic look at self-employment as an owner-manager of a small business, its rewards and its call for skills in capital formation, administration, management, and selling. In addition, the films present useful information and new ideas for those who are already self-employed small business owners, especially those in the early struggling phase.

The Bureau of Labor Statistics has many publications available to small business which, hopefully, will be helpful to them, as to others, in assessing the state of the economy. For example, employment and wage data for workers covered by State unemployment insurance laws are collected by size of establishment, by State, and by industry.

The Department of Labor's construction coordinating committees are located in Chicago, San Francisco, Kansas City, Denver, and Boston. Each committee has as its top priority the publication of a bid calendar, listing planned public construction in its geographical area. Such a calendar provides all contractors, but especially small contracting firms, with a concise analysis of the local construction market. In addition, this is an extremely important business planning tool. Copies are available from the Area Administrator, Labor Management Services Administration, U.S. Department of Labor, in the cities cited.

This concludes my prepared statement. I would be happy to take any questions you may have at this time.

Mr. IRELAND. Thank you, Mr. Terry. I must say that several pages of your testimony are certainly a good outline of what is supposed to be done under the act. And the following pages are a good description of how you set up internally to do it. But I have a hard time finding a whole lot of meat in there as to a measure of what the results are. I would like to perhaps ask you in a general way to submit some additional information concerning those results. I think we are all aware of what the law says should be done. I don't doubt that you, as an agency, have set up to do that. But, our question here, as you know, is more a measure of what kind of results you are getting rather than just an evaluation of the law. And I find that absent in some way.

Let me give you an idea of what I mean along that line that you can put in this additional information. And perhaps you can offer some of this information now. These booklets that you have put out here, we would like to have some measure of knowing how they have been distributed in thousands. Do the people actually know they are out there? How do you measure that? And, having said that, what kind of results do you get? In other words, in the Department of Labor's procurement activities, which is not a small amount, how does small business participate in that? That was one of our major questions.

Mr. TERRY. If I could go back to your first question on results, we procure approximately 400 million dollars' worth of supplies a

year. The majority of our money in the past has been under the grant area which does not come under this program. That, of course, was in the billions of dollars until they started cutting back on CETA.

But in the procurement area, last year our goal for small business was $95 million. We met and exceeded that goal by awarding $100 million in contracts to small businesses.

On minority business, our goal was 11.7 percent. And, we made that goal. We met every single goal that we had in fiscal year 1980.

Mr. IRELAND. How do you establish those goals for the record?

Mr. TERRY. The goals are established—first of all, we take a look at what we did last year. We look at our procurement plans for the coming year. We look at the budget, we go out to our procurement staffs and ask them what they think they can attain the following year. Then my staff and I meet with each of the procurement staffs. After we have assembled what we think should be the goals for the Department, we meet with the Under Secretary of Labor and also the Assistant Secretary for Administration and Management, who is in charge of all the procurements for the Department of Labor. After we have met with them and decided if these are the highest goals that we can meet, we submit them either by the signature of the Under Secretary or the Secretary to the Small Business Administration. We then meet with the several SBA teams. As an example, a group that covers just small business, a group that covers just 8(a), and a group that covers just the women-owned businesses. We arrive then at our final goals.

We then go back to the Secretary and say: We have arranged—we have agreed to these goals. And, if he agrees, he sends out a letter to all the Assistant Secretaries, Deputy Under Secretaries, and the Commissioner of BLS, saying these are our goals; you are expected to meet them. We break those goals down for each agency, and then we monitor the goals on a quarterly basis. The Under Secretary discusses the goals and performance at each quarterly management meeting by objectives. Of course, we take a look at performance at the end of the year to see how we have done.

Mr. IRELAND. This relationship that is built into the laws and regulations with the SBA, how do you find that relationship to work?

Mr. TERRY. We have no difficulty there. Some of the agencies, of course, have had some difficulty. These agencies were not able to come to agreement with the Small Business Administration and had to go to the Office of Federal Procurement Policy for resolution of problems. We have never had that problem.

Mr. IRELAND. How about your other dealings with the Small Business Administration? Do you find them coming to you, either from the administration itself or its Office of Advocacy with things that can be done, not necessarily on procurement, but in other areas where you touch small business? Do you find them coming to you, or do you go to them or what kind of a relationship do you have there?

Mr. TERRY. Yes. The Office of Advocacy, we have gone to them several times and they have come to us several times. I have found them to be very helpful. If we need advice or assistance, they will give us whatever we require, and they are very responsive.

The Small Business Administration also has a liaison officer who brings us material on a regular basis. I find that this is a very good system. Anything new that comes out in the Federal Register or in the Congressional Record or another publication on small business is provided to us.

In fact, there was something in the Federal Register that you had released just the other day on slow pay practices. That is the type of information they try to get through to us. We work very well with the office in SBA that handles goals and objectives. We have absolutely no problems. Whenever we call them for information, we get it. And, occasionally, they ask us for information.

The only area that we have had problems with is in the 8(a) area. We have had some severe problems there.

Mr. IRELAND. Would you describe those?

Mr. TERRY. The majority of the problems are involved around when we select a contract that we think could go to an 8(a) contractor. We say, we would like to go with a specific contractor, but ask SBA to pick any contractor that they want. But, we prefer 8(a). And, that action often gets bogged down primarily at the regions.

When we have brought the delay to the attention of the Small Business Administration, we have to bring extreme pressure on them to get them to release it. And, normally they do. But, delays of 3 or 4 months are not unusual.

Mr. IRELAND. Can you put your finger on what the delay seems to be? Does it seem to be one of requirement for additional information or can you tell?

Mr. TERRY. Well, part of it is because of the problems that they have had recently with these large businesses who are gobbling most of the 8(a) procurements. They are trying to see if they can't get some of those procurements out to the smaller firms that have not received millions of dollars in 8(a) contracts. I believe there are six or seven firms that have been published in the paper that have gotten the majority of the 8(a) contracts. A good many of them happen to be oil firms.

I feel that they could improve that system if they would delegate some of that responsibility to the agencies so we could take action faster. If they established a threshold for each 8(a) firm; for example, if they have certain firms that could do a million dollars worth of business. Then all of the agencies could go out and contract with those firms until the total reached that million dollar limit. Then they could cut us off. If they could let us operate independently, it would be an improvement. They haven't seen fit to do that. Perhaps they are considering it now. But, I see no reason why it couldn't be done. In other words, delegate procurement responsibility to agencies so that you don't even have to go to SBA unless there is something unusual.

Mr. IRELAND. That sounds to me, not only interesting, but a sound approach.

Mr. TERRY. I have suggested it to Mr. Cardenas. He spent an hour and a half in my office when he first was sworn in as Administrator. But, we haven't seen anything initiated to date.

Mr. IRELAND. The upcoming attempt to cut the redtape in procurement throughout the Government, are you aware of that?

Have you all had a chance to participate in that to your satisfaction?

Mr. TERRY. Yes. I do not participate in it myself, because it's the responsibility of the procurement staff. I'm not on the procurement staff. But, I have enough procurement background to know what is going on in that area. That is a much bigger task than what it appears. There are over 4,000 regulations in procurement. It's a huge, huge task. I know Don Sowle is working on it over at OFPP. But, he's got his problems. Of course, one of his big problems is just to come up with a single system that operates the same in Defense as it does in the civilian agencies.

Mr. IRELAND. I guess all of us who don't have to actually work with it, want to have it done with a sweep of a pen or a very oversimplified operation that takes care of all the exceptions that we personally like. But, everybody else has got their own. So, there is no question that it's a tough problem.

Mr. TERRY. Yes.

Mr. IRELAND. Let me ask you this. I noticed a list of the films and supporting booklets that the Department of Labor has. And, in a sense, I guess in support of small business, we ought to say that the more the merrier. But, the longer the list of activities that the Department of Labor puts out sounds as though it matches the list of information that the Small Business Administration puts out itself. I can't believe that there isn't a substantial amount of funds going into producing film and booklets and such. But, it would seem to me that booklets on capital formation, management, and selling and such, it has to be duplicates of some of the ones on the same subject that the Small Business Administration puts out.

Instead of you putting out a whole fancy, Department of Labor booklet, can you use some of those that SBA already has? Perhaps we could save some money; there are only so many different ways you can say these things.

Mr. TERRY. As far as I know, they don't have any. These films were coordinated with the Small Business Administration and several other agencies within the Government.

Of course, the mission of the Department of Labor is to enhance the welfare of the worker, whether we can get him into a job in small business or someplace else. However, small business is where most of the new jobs are being created.

Mr. IRELAND. There is no question that new jobs are being created there. At the same time, I'm thinking now that capital formation and administration and management and selling, these are all—I venture to say that I have seen enough SBA booklets around to know that they've got things that cover all of that. All I'm saying is, yes, the Department of Labor is out to spend, in my view, a whole lot more time working on small business than it does on large business, as far as I'm concerned, a substantial more amount of time.

All I'm saying is that the tools of the trade there, it seems to me, are things that the Small Business Administration already has. And instead of two agencies reinventing the wheel, we ought to be utilizing the same material. We will be glad to get it together and send it to you. But, the Small Business Administration has ample material on all of those subjects, and in great depth.

Mr. TERRY. We have that, too. Of course, I meet with a lot of small business people, but we need another media to contact them. So, in this case, we did get together with the Small Business Administration. We went to the American Management Association in New York, and in conjunction with them, the SBA and ourselves, the films were done under contract. And, I think that they are very fine films. They reach a tremendous number of people.

Mr. IRELAND. I'm certain the material is fine. There are plenty of people that are on the beltway out there, they love to consult and have a contract to supply every agency with a whole set of things to hand out to small businesses. All I am saying is, has anybody stopped to think that instead of the Department of Labor having a contract to publish a booklet say on capital formation, which the Small Business Administration may already have, that the next time they run their booklet on capital formation, run another 100,000 for us. That's all I'm saying.

It seems to me that that just jumps out at you here. We've got two agencies of the Government wanting to be in the film and publication business. I think this is what sends the American public up a tree when one of them could do it and you could utilize what they have. Just a passing comment.

Mr. Topping, do you have any questions?

Mr. TOPPING. I have one, Mr. Chairman.

You use the GSA federal data processing system. Does this system provide the information you need?

Mr. TERRY. Yes. Of course, that is the key in all of these programs. Every single contract over $10,000 has to be reported into an automated system which goes into a data bank. That system is run by GSA. And, there have been some problems in getting the system started. It has been in effect for 3 or 4 years now.

But, the actual reports that are coming out, come out very slowly. For example, right now, the only report that we have for fiscal year 1981 is for the first quarter. We still do not have the second quarter reports. And, we really should have more up to date, more timely information out of that system.

Mr. TOPPING. Do you have any suggestion on how you may get it?

Mr. TERRY. Well, I think that your subcommittee has to put additional pressure on GSA to get the system to respond to us faster. It's not entirely GSA's fault either. The agencies are slow in reporting to them.

Mr. TOPPING. I see. That's all, Mr. Chairman.

Mr. IRELAND. The Procurement Automated Source System that you use, that sounds like a glowing report. Again, how is it used?

Mr. TERRY. The PASS system. We use it every day. We only have one in the whole Department of Labor. We provide all of our procurement offices, we have 40 procurement offices, with any information that they need from the system. They call our office by telephone and we send out the reports the same day that they ask for it.

We have found it to be very helpful. The biggest problem I find is that we had hoped that the system would grow faster. There are only 51,000 small business firms listed in it. I think it has almost

doubled in size in the last year. But, that's a long, long way to go from the maximum that could be put in it.

Mr. IRELAND. Do you have any ideas on how they ought to be putting more on it?

Mr. TERRY. Well, they are using, I would say, the maximum publicity in getting small business to sign up. But, even though they do that, we have many business people coming into our office that have never heard of it. It's surprising. They are very anxious to hear about it and sign up when they do hear about it. But, it just requires more publicity.

Mr. IRELAND. Or something.

Mr. TERRY. Yes. But, it is helpful. As an example, in your State in Florida, we can go into the system and we can list in a matter of 10 or 15 minutes the total number of small businesses there. We can list the small businesses by name; or if we want to go further, the system will give us a short profile on each firm, showing whether they are in the construction business, R. & D. or other field.

Mr. IRELAND. I certainly agree with it. What strikes me, I've been mentally going through the computer I utilize to service my district, I probably have 10 percent of that amount on there in small businesses that I can contact right in my district. Yet, the whole Federal Government can't get its act in order to get over 50,000 in the whole United States. I found a way to do it so there must be some way to do it. If I were in the Federal Government, the bureaucracy, I would be embarrassed that there were only 50,000.

Mr. TERRY. Of course, they don't ever expect to get anywhere near the 14 million businesses. You take out 3½ million farms, they probably won't get them in. But, there are many small businesses who are just not interested in doing business with the Federal Government. And, rightly so, you know, small retail stores.

Mr. IRELAND. Your point is well made. All you have to do is say 90 percent of them won't do business with the Federal Government but you still get a 1.4 million. And you've only got 50,000.

Mr. TERRY. We would like to see a much larger data bank.

Mr. IRELAND. I think it's impressive how you utilize it.

The labor surplus program, how does a small businessman look into receiving the benefit of that?

Mr. TERRY. Most small business people are not familiar with the details of eligibility.

What happens when an agency advertises in the Commerce Business Daily, they put in a code for small business. The set-aside for small business is code 1. A set-aside for labor surplus, is code 3. When business people look through the Commerce Business Daily and see a code 3, they see a set-aside for labor surplus, and they often feel that they cannot bid. But, that may not be true.

The labor surplus area can be, let's say, in Washington, D.C., which is the labor surplus area. But, there are firms in Virginia and there are firms in Maryland who can bid on those contracts. The only requirement to is that they spend 51 percent of the dollars of that contract in a labor surplus area, so that, if you have a million dollar contract, you have to spend 51 percent of it in Washington or other labor surplus areas or a combination of labor sur-

plus areas. They don't seem to realize this. And, sometimes I think that perhaps they are not making the effort that they could be making. That's the type of thing that we try to tell them when we meet with these small business people, when we go out to these seminars, congressionally sponsored procurement conferences, and so forth.

Mr. IRELAND. In this whole area of how you inform people who don't always necessarily want to be informed, and at the same time, even those that do want to be informed have a certain tendency in our Government to sit back and say: Hey, we advertised it. And, on paper, it looks like a communication devise. But in reality, it's a nothing. I don't claim to know the answer, but certainly we don't get the results as we say.

Mr. TERRY. The small business person, man or woman, they are so busy, you know, they are doing everything. They are doing planning, they are doing budgeting, they are doing personnel, the whole business, that they have very, very little time. So, whatever you give them, you must give it to them in a consolidated form. And, that's one reason that this thing has been so successful. I never did get to that question that you asked about here.

We publish these in every region. Now, they differ slightly in each region based upon the people that they are to call. If you take the Davis-Bacon Act for an example, it will give in about two sentences what the Davis-Bacon Act is. And that's all they are interested in. But, if they have a question, it tells them who to call in San Francisco, or who to call in Atlanta, Ga., or in that particular region. The phone numbers are there. And, it's a very small little pamphlet.

Now, we advertise this; we put a press release on it. And, we received thousands—my guess is maybe 15,000 requests for these, because they went into San Francisco. They went to Chicago. New York has their own. Boston has their own. My office has sent out at least 4,000 or 5,000. They come to our office as a last resort. They are supposed to go to the closest regional area. But, we have issued a lot of them and we are still getting requests even though the press release went out 5 or 6 months ago.

Mr. IRELAND. That's good. It might be an indication of a little bit better way of getting information out, too.

Mr. TERRY. Yes. The associations pick it up. Some associations we have never heard of, like the Water Drilling Association.

Mr. IRELAND. In the PASS computer system, they don't have associations on there; do they?

Mr. TERRY. No; they do not. Of course, they do have contacts with the associations. And, we do, too; but, we contact pretty much the larger ones, like the National Federation of Independent Businesses, which has over 500,000 members. The National Small Business Association has I think 150,000 and Chambers of Commerce. We get information out to whatever source we can.

Mr. IRELAND. This has been good testimony, Mr. Terry. I appreciate your candor. And, could you leave copies of your publication.

Mr. TERRY. Yes, sir. I will leave you a set of these. And, whatever other sets you want, we will be happy to supply them to you.

Mr. IRELAND. We appreciate it very much. Thank you.

[Responses to subcommittee requests follows:]

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE UNDER SECRETARY,
Washington, D.C., September 30, 1981.

Hon. ANDY IRELAND,
Chairman, Subcommittee on Export Opportunities and Special Small Business Problems, Rayburn Annex Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The following is furnished in response to your oral request September 23, 1981, for more specific information on awards to small business firms during fiscal year 1980.

SMALL BUSINESS CONTRACTS [1]

The total prime contracts over $10,000 were $332,804. Awards to small business were $102,391 or 31 percent of the total. Contracts to small business increased significantly from $87.7 million in fiscal year 1979 to $102.4 million in fiscal year 1980, an increase of about $15 million over the previous fiscal year.

Small disadvantaged business contracts

1. Under Section 8(a)	$24,837
2. Direct procurement to minority business other than 8(a)	18,397
3. Subcontracts to socially and economically disadvantaged business	2,812
Total	46,046

Awards of DOL contracts to small and disadvantaged business exceeded the Department's goal by about $6 million. DOL increased awards to Section 8(a) and direct procurements to minority business by about $11 million (an increase of 34 percent over fiscal year 1979).

SUBCONTRACTS [1]

Contracts exceeding $500,000 ($1 million for construction) totaled $269,639. Subcontracts by prime contractors totaled $25,762 (10 percent) vs. a goal of $22,704 (8.8 percent). The Department exceeded its goal by approximately $3 million.

Goals vs. performance on labor surplus and women-owned business procurements are shown on the enclosed recapitulation sheet.

DOL policies and procedures, in support of Public Law 95–507, are designed to discipline the Department's approximately $400 million in total procurements. The success of the program is evidenced by the fact that the Department did achieve all of its fiscal year 1980 procurement preference goals.

We will be happy to provide any additional information that you may desire.

Sincerely,

WALTER C. TERRY,
Director, Office of Small and Disadvantaged Business Utilization.

Enclosure.

DEPARTMENT OF LABOR, FISCAL YEAR 1980 PERFORMANCE VERSUS GOALS, SMALL AND DISADVANTAGED BUSINESS UTILIZATION

[Dollars in thousands]

	Dollar per performance, fiscal year 1980	Percent	Dollar goals, fiscal year 1980	Percent goals, fiscal year 1980
1. Prime contracts [1]	332,804	.....	318,750	.....
2. Small business [2]	102,391	31	95,625	30.0
3. 8(a) (SBA contracts) [3]	24,837	24	16,256	17.0
4. Direct procurement to minority business other than 8(a) [3]	18,397	18	21,038	22.0
5. Combined goals (3) and (4) above [4]	43,234	13	37,294	11.7
6. Contracts exceeding $500,000 or $1,000,000 for construction (requiring subcontracting plans)	269,639	.....	258,000	.....
7. Subcontracts awarded to small business [5]	25,762	10	.....	8.8
8. Subcontracts to socially and economically disadvantaged business [5]	2,812	1	.....	1.1

[1] Recap. sheet enclosed depicts fiscal year 1980 goals v. fiscal year 1980 performance ($000).

DEPARTMENT OF LABOR, FISCAL YEAR 1980 PERFORMANCE VERSUS GOALS, SMALL AND DISADVANTAGED BUSINESS UTILIZATION—Continued

[Dollars in thousands]

	Dollar per performance, fiscal year 1980	Percent	Dollar goals, fiscal year 1980	Percent goals, fiscal year 1980
9. Labor surplus: [4]				
Set-aside	13,660	4	12,750	4.0
Non-set-aside	60,641	18	31,875	10.0
10. Women-owned business [4]	9,509	3	3,188	1.0

[1] Total prime contracts over $10,000.
[2] Percent of line 1.
[3] Percent of small business awards.
[4] Percent of line 1.
[5] Percent of contracts exceeding $500,000/$1,000,000, line 6.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON EXPORT OPPORTUNITIES
AND SPECIAL SMALL BUSINESS PROBLEMS,
Washington, D.C., October 23, 1981.

Mr. WALTER C. TERRY,
Director, Office of Small and Disadvantaged Business Utilization,
Department of Labor, Washington, D.C.

DEAR Mr. TERRY: I appreciate you taking the time to appear before my Subcommittee on September 23 to inform us as to what the Department of Labor is doing to assist small business. As we discussed at the hearing I would like you to answer a few more questions so we could have this information for the record.

1. How will the budget cuts affect the programs you have set up to aid small businesses? Specifically, where in the programs will you find the cuts taking place?

2. What proportion of Labor's budget is now going toward your small business programs?

3. How are you attempting to simplify the policies and contracting procedures you are currently using so as to encourage more small business participation?

4. Do you feel you are doing enough to help our small businesses or does more need to be done?

5. Will what you're doing now survive?

I would like to receive your response no later than November 13. I look forward to hearing from you.

Sincerely,

ANDY IRELAND,
Chairman.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE UNDER SECRETARY,
Washington, D.C., October 29, 1981.

Hon. ANDY IRELAND,
Chairman, Subcommittee on Export Opportunities and Special Small Business Problems, Committee on Small Business, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The following is in answer to the five questions in your letter of October 23, 1981.

1. Reductions in the budget are being reflected by reduced procurements of supplies, equipment, and services in all DOL Agencies. Procurement in each of these categories was expected to be approximately 10 percent less than in fiscal year 1981 prior to the President's September budget amendments. We are now projecting a total cut in procurement dollars of approximately 25 percent.

2. DOL's fiscal year 1982 procurement expenditures were expected to total $329 million prior to the September cuts. Our planned fiscal year 1982 goal for small business procurements was $97 million or 31.5 percent of the total. These figures will have to be adjusted based upon the DOL's final fiscal year 1982 budget.

3. We have attempted to simplify contracting procedures for small business by providing a single point of contact in the Department for submission of Bidder's Mailing Lists. This procedure reduces the administrative workload on contractors.

We have also initiated a system for Departmental review and approval of all proposed procurement actions expected to exceed $500,000. This enables the Department to take management action prior to signature of the contract if planned goals are lower than expected.

4. In an effort to identify additional ways of assisting small business, the Directors of Small and Disadvantaged Business Utilization of all Federal agencies meet periodically for discussions on new initiatives. The most recent initiative was to request GSA's Federal Procurement Data System for a standardized quarterly report on preferential procurement performance by Federal agencies. This report will provide more accurate and timely information and enable management to take corrective action in those areas where small and disadvantaged business are not receiving their fair share of government contracts. We have also initiated action to insure that contractors are paid on a timely basis. Much criticism has been expressed by Congress and small business firms on this subject. We also intend to explore new ways of reaching those entrepreneurs who are interested in selling their goods and services to the Federal Government. More needs to be done to assist small business.

5. Some of the things the Government is doing for small business will survive; other requirements are in need of change. For example, the Government could do a better job in making known contractual opportunities through the media and/or government sources. The prime source for announcing new procurement requirements is the Commerce Business Daily (CBD); yet its nationwide circulation totals only 40,000. Most small business firms do not subscribe to the CBD nor do they have timely access to Federal contractual opportunities. This lack of information affects small and minority firms much more than large business firms who are well aware of Government procurement requirements. The Bidder's Mailing List Application is of some help; however, this system also has its drawbacks. Both systems should be given a thorough systems analysis to determine how they can be improved to assist all business firms in their search for Government contracts. It seems logical that with today's sophisticated communications systems, the Small Business Community could be kept better informed on contractual opportunities.

I would be happy to discuss the above in further detail if you desire.

Sincerely,

WALTER C. TERRY,
Director, Office of Small and Disadvantaged Business Utilization.

DATA BASE STATISTICS REPORT ON SEPTEMBER 16, 1981

Region	Number of companies				
	Manufacturing	CON	RAD	SVC	Total
1	3,166	976	1,391	2,952	6,512
2	4,415	901	1,586	3,197	10,819
3	3,047	1,507	1,738	4,711	7,346
4	2,467	1,338	922	3,153	5,258
5	5,219	1,704	1,717	4,791	9,304
6	1,929	1,185	743	2,640	4,397
7	1,600	784	543	1,536	2,922
8	1,129	887	519	1,533	2,531
9	3,817	1,252	1,998	3,934	7,047
10	1,284	917	542	1,946	3,002
Total	28,073	11,451	11,705	30,293	54,138

Number of profiles added since Sept. 14, 1981: 754.

We have found 1309 firms listed in such companies. Do you wish 25 of them displayed?

Any additional conditions? PASS in State of Florida 146 women-owned firms.

We have found 146 such companies. Do you wish 25 of them displayed?

We have found 232 minority firms in such companies. Do you wish 25 of them displayed?

We have found 447 Labor Surplus Area companies. Do you wish 25 of them displayed?

We have found 15 8(a) firms in such companies. Do you wish them displayed?

We have found 93 Black firms in such companies. Do you wish 25 of them displayed?
We have found 108 Hispanic American companies. Do you wish 25 of them displayed?
We have found 15 Native American (Amer-Indian, Eskimo, Aleut, Hawaiian) such companies. Do you wish them displayed?
We have found 1398 Asian Pacific (including Oriental) such companies. Do you wish 25 of them displayed?
We have found 335 Active Exporter such companies. Do you wish 25 of them displayed?
We have found 548 interested in Exports such companies. Do you wish 25 of them displayed?
We have found 356 not interested in Exports. Do you wish 25 of them displayed?
We have found 532 Manufacturer firms. Do you wish 25 of them displayed?
We have found 99 Dealers. Do you wish 25 of them displayed?
We have found 33 wholesale distributors. Do you wish 25 of them displayed?
We have found 94 Vietnam Vets. Any additional conditions?
We have found 326 veteran-owned companies. Do you wish 25 of them displayed?

Mr. IRELAND. Our next witness is John Bierman, senior vice president of the Export-Import Bank.

TESTIMONY OF JOHN D. BIERMAN, SENIOR VICE PRESIDENT, EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. BIERMAN. Mr. Chairman, members of the subcommittee, I am pleased to have the opportunity today to testify on behalf of the Export-Import Bank of the United States regarding its role in support of small business exporters and smaller U.S. commercial banks. Eximbank provides financing support in the form of loans, guarantees and insurance for U.S. export sales to foreign private and government buyers.

The need for export financing is an established fact of business life. The availability of credit can sometimes be as important as pricing in making a sale overseas. The natural reluctance of smaller U.S. banks and exporters to extend credit to foreign buyers can be largely overcome through the protection offered by Eximbank programs.

The statute under which Eximbank operates requires that:

> The Bank shall accord equal opportunity to small commercial banks in the formulation and implementation of its programs; that the Bank shall give due recognition to the policy stated in section 2(a) of the Small Business Act that "the Government shall aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise" and that in furtherance of this policy the Board of Directors shall designate an officer of the Bank who shall be responsible to the President of the Bank for all matters concerning or affecting small business concerns and who, among other duties, shall be responsible for advising small businessmen of the opportunities for small business concerns in the functions of the Bank and for maintaining liaison with the Small Business Administration and other departments and agencies in matters affecting small business concerns.

I am the small business liaison officer at Exim[illegible]k. We have in operation a number of programs through which small business export sales are supported.

We estimate that fewer than half of the smaller American firms which have export sales potential are actually exporting. We believe small business concerns can develop a great deal more export business, earn themselves more profits and contribute toward a stronger U.S. economy and a more favorable balance of trade.

I must add, however, that we do not want to deceive you or the public by implying that exporting is appropriate for all small businesses. We strongly advocate that exporting be encouraged primarily for those small businesses which are sufficiently experienced in efficient and profitable business operations. The somewhat more complex marketing, documentation, tax, shipping, and financial aspects of exporting can be handled with hard work and the assistance available for Government and private sources.

For recordkeeping purposes, Eximbank defines small business as an entity, together with its affiliates, which is independently owned and operated and which has a net worth of $5 million or less or annual sales of $10 million or less.

Based on this definition, Eximbank had on its books a substantial amount of export sales directly supported for small businesses. As of June 30, 1981, Eximbank was supporting over $3 billion in export sales through over 2,000 separate export transactions by small businesses across the country. This small business support was 13 percent by dollar volume of the total business on the Bank's books on June 30. It should be noted that these figures take into account only those transactions in which a small business is the exporter of record. Not included are the many thousands of small businesses which benefit from Eximbank direct financing support as subcontractors or subsuppliers on large orders where the major contractor is listed on our books as the exporter of record.

I would like to mention that Eximbank works with the Foreign Credit Insurance Association [FCIA] in insuring U.S. exports. FCIA is an association of some 50 leading private insurance companies. It underwrites commercial credit risks on export transactions while Eximbank covers political risk for U.S. exporters. Through our participation with FCIA, Eximbank has the opportunity to help thousands of smaller companies.

I would like to take this opportunity to outline our programs which are specifically structured to help small business exporters, as well as the benefit derived by small businesses from our general programs.

Eximbank offers through the Foreign Credit Insurance Association a short-term, 1- to 180-day, insurance policy geared to meeting the particular credit requirements of smaller, less experienced exporters. Under the policy, Exim assumes 95 percent of the commercial and 100 percent of the political risks involved in extending credit to the exporter's overseas customers. This policy frees the smaller exporter from the first loss commercial risk deductible provisions that are usually found in insurance policies. Many small businesses with potential for exporting feel impeded by inadequate insurance risk coverage. This policy is designed to offer greater protection to more vulnerable firms.

The special coverage is now available to companies with a net worth of $2 million or less who have not used the services of Eximbank or FCIA during the past 5 years, and whose average annual export sales for the past 2 years did not exceed $750,000. Since the inception of the program to May 6 of this year, over 300 policies have been issued for a total exposure of almost $60 million.

The Bank made a series of modifications to its medium term (181 days to 5 years) commercial bank guarantee program to increase

its appeal to a broader range of banks. Guarantees are issued to U.S. commercial banks which extend medium-term financing on behalf of exports of capital and quasi-capital equipment by small businesses. As with the short-term insurance program, Eximbank will assume a greater than normal share of the credit risks involved in the transaction. Small businesses have been reluctant to enter or expand in the capital goods market because of the longer financing terms required by foreign buyers, and the proportionately greater credit risk involved. The adjusted guarantee program relieves them from a substantial portion of that risk and encourages the small bank to become involved with Eximbank based on lower risk assumption. While small businesses will still have to face tough price competition in the international marketplace, we hope the stronger financing aspects of this plan will offer them considerably a competitive edge.

Eximbank has joined with the Commerce Department, the Small Business Administration and the Overseas Private Investment Corporation to organize the Small Business Export and Investment Committee. The Small Business Export Committee membership now includes the Administrator of the Small Business Administration, the Assistant Secretary of Commerce for Industry and Trade, the President of the Overseas Private Investment Corporation and the President of the Export-Import Bank. The Foreign Agricultural Service and the U.S. Trade Representative are associate members.

Small business export conference have been held in major commercial centers throughout the country and were followed by a series of longer, more intensive workshops. At the conferences and workshops, the participants were introduced to all aspects of exporting and overseas investments. Many additional conferences were scheduled at the requests of congressional delegations and Governors' offices. Eximbank also participated in the White House Conference on Small Business held in Washington, D.C., in January 1980. We expect this conference format to be continued in the months ahead.

While the benefits of the Bank's direct support to exporters are more quantifiable, it is our belief that the indirect support the Bank extends to the small business community is significant. This indirect support originates principally from the Bank's lending programs which assist larger export sales. Many smaller companies serve as subcontractors and subsuppliers to the large U.S. firms which normally bid these kinds of contracts abroad. For example, large infrastructure projects normally involve one or two primary U.S. suppliers but literally hundreds of subsuppliers are affected.

We hear a lot today about Exim support of the big companies, but Boeing, for example, used 2,184 small business suppliers located in 42 States in 1980 on their aircraft export orders. These companies along with Boeing's larger subcontractors, in turn seek subsuppliers which number in the thousands as well. Thus, any export loans approved for Boeing aircraft do not simply benefit one large company, but also thousands of smaller companies across the Nation.

All of the supply contracts, of course, represent American jobs. The Department of Commerce estimates that one in nine American manufacturing jobs is supported by export sales. The fact that ex-

ports so clearly make an impact on employment provides strong motivation to meet the official export financing competition that has developed in recent years.

Eximbank also provides continuing services available at no cost to small businesses. Our most noteworthy facility is our small business hotline. This is a free telephone line, whereby exporters and would-be exporters who need information and guidance about export financing can discuss their particular situation with a loan officer at Eximbank, and get advice on how to proceed with the export. Since we began the hotline service in February 1979, more than 20,000 calls have been received, recorded and processed by our staff. By far, the majority have been from smaller manufacturers or exporters with substantive export financing questions to be answered or problems to be solved.

This hotline supplements and enhances the Small Business Advisory Service of the Bank. This service is maintained to encourage smaller export firms. Eximbank provides information on the availability and use of export credit insurance, guarantees, discount loans, and foreign bank credits to buy U.S. goods and services overseas. This service has also identified other small business needs. For example, the Bank has been assisting the Small Business Administration in its efforts to develop a short-term working capital program for small business exporters. The need for such assistance was first identified by Eximbank through its advisory services, then referred to Small Business Administration as the appropriate agency to meet their requirements.

Every 2 weeks, Eximbank offers a 2-day briefing program which is open to representatives of small businesses and banks. Usual attendance for these sessions is 15 to 20 persons. Selected speakers present a full description of the Bank's programs and services. Time is also left so individual consultations can take place.

Mr. Chairman, in closing, I want to say that we believe that our present mandate to assist small business exporters is clear and we believe that our efforts reflect our recognition of that mandate. We will continue to encourage small business to become involved in exporting with our assistance. Eximbank is committed to maintaining a strong initiative to assure small business the greatest possible consideration and export financing support within our general budget constraints.

Thank you. I will be happy to answer any questions that you have.

Mr. TOPPING. I'd like to commend you for your testimony and what you are doing. One of the things that amazes me, however, is how small business is not acquainted with your program. Not only yours, but the program of other agencies who have testified. I don't know whether your marketing is falling down or what. I hope you can do something about it. And, I hope our hearings will result in some improvement along that line. But you have an excellent program. I have heard a lot about exporting on the part of small business people. They seem to say, well, I just don't know how to do it. And, yet, you have a very good program that I think many would be interested in. I can speak from experience that your hotline is good because I know several congressional offices that have used it

and have found it very useful. Also your conferences have been very productive. I think that they are going to grow in usefulness.

I have no questions, except I did want to make that comment.

Mr. BIERMAN. If I may reply to your comment, I thank you for the kind words first. We have tried a number of vehicles to reach many of the small businesses. We work in cooperation with other agencies, SBA, Commerce, OPIC, other agencies that are involved in exporting.

Back in the early 1970's, we held a series of Governors' conferences, conferences that were organized by the State business development groups and the Governors' offices in conjunction with Eximbank. We held those conferences in each of the 50 States. We have held between 60 and 100 of the small business conferences that I alluded to in my testimony in most, if not all, parts of the country.

So, you are absolutely correct that every time we go out, we hear from small businesses that they know nothing of our programs and nothing of our activities. We have tried to work through the local chambers of commerce, through the business development groups in States, through the Federal programs that are available in Federal district offices in Commerce and SBA. We still can't reach them all. I hope that this testimony and these hearings do help us so we can reach a broader cross section. It is difficult to reach people.

Mr. TOPPING. It is yours as well as the Department of Labor programs. I wonder if it would be some advantage for the congressional offices or the Congressmen through their newsletters to occasionally have a paragraph that would indicate that these services are available from such and such office. Do they do that very much?

Mr. BIERMAN. Not that I'm aware of.

Mr. TOPPING. The congressional offices publish newsletters which they send to constituents. Sometimes they include in these items about small business. Do you think it would be helpful if they included in them a paragraph about publications or assistance agencies offer small business, such as the export publications and assistance you provide?

Could the congressional offices help you to market your program?

Mr. BIERMAN. I think that they could, yes. It would be a very effective method to get the word out to all the constituency in the United States of the program, so the Export-Import Bank and other departments need to do that.

Mr. TOPPING. That's all.

Mr. LYNCH. You mentioned that you have 2-day briefing programs set up?

Mr. BIERMAN. Yes, we do.

Mr. LYNCH. Could you provide the subcommittee with a list of such sessions that you have coming up? Maybe we can help get the word out.

Mr. BIERMAN. Yes.

[Information requested follows:]

EXPORT-IMPORT BANK OF THE UNITED STATES,
Washington, D.C., October 15, 1981.

Hon. ANDY IRELAND,
Chairman, Subcommittee on Export Opportunities and Special Small Business Problems, Committee on Small Business, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: When John D. Bierman testified for Eximbank before the Small Business Subcommittee on Export Opportunities and Special Small Business Problems, the Subcommittee requested that Eximbank provide for the record a list of upcoming briefing sessions in which smaller businesses and banks could participate.

Eximbank has a one-day briefing program once a month designed principally for U.S. exporters, large and small. The program is intended to familiarize exporters with Eximbank programs and operation. The remaining briefing dates for 1981 are October 15, November 12 and December 10.

Eximbank also offers a more detailed two-day briefing program twice monthly designed for representatives of commercial banks of any size. As a commercial bank is often the first source of information on export financing for smaller businesses, keeping commercial banks well-informed of Eximbank programs can be an effective way of helping smaller exporters. In addition, many of the Eximbank programs in which smaller exporters participate require the exporter to secure private financing through a commercial bank, followed by an Eximbank guarantee or insurance policy. Commercial bank knowledge of these programs may be the best way for exporters to learn of them. The remaining briefing dates for these bankers' seminars are: October 19–20; November 5–6, 16–17; and December 17–18. In addition Eximbank holds an annual conference for U.S. commercial bankers which includes in-depth discussions of Eximbank programs. This year's conference will be held on November 30.

I hope this information will be useful to you. Please contact us again if you have any further questions.

Sincerely,

NANCY S. PIGMAN,
Congressional Relations Officer.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON EXPORT OPPORTUNITIES
AND SPECIAL SMALL BUSINESS PROBLEMS,
Washington, D.C., October 23, 1981.

Mr. JOHN D. BIERMAN,
Senior Vice President,
Export-Import Bank of the United States, Washington, D.C.

DEAR MR. BIERMAN: I appreciate you taking the time to appear before my Subcommittee on September 23 to inform us as to what the Export-Import Bank is doing to assist small business. As we discussed at the hearing I would like you to answer a few more questions so we could have this information for the record.

1. How will the budget cuts affect the programs you have set up to aid small businesses? Specifically, where in the programs will you find the cuts taking place?
2. What proportion of the Ex-Im Bank's budget is now going toward your small business programs?
3. Could you provide us with a list of your upcoming two-day briefing programs?
4. How are you attempting to simplify the policies and contracting procedures you are currently using so as to encourage more small business participation?
5. Do you feel you are doing enough to help our small businesses or does more need to be done?
6. Will what you're doing now survive?

I would like to receive your response no later than November 13. I look forward to hearing from you.

Sincerely,

ANDY IRELAND,
Chairman.

EXPORT-IMPORT BANK OF THE UNITED STATES,
Washington, D.C., December 3, 1981.

Hon. ANDY IRELAND,
Chairman, Committee on Small Business, Subcommittee on Export Opportunities and Special Small Business Problems, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Please excuse my delay in responding to the questions raised in your October 23, 1981 letter. It was my pleasure to appear before your Subcommittee in September. I hope my testimony was helpful.

As I noted when I appeared before you, we do not anticipate any reduction in our export support programs for small business as a result of our anticipated budget cuts. We are targeting our programs to support those cases which are most in need of Eximbank assistance, which includes small business support.

All indications are that the budget cuts for fiscal year 1981 will affect our lending, guarantee and insurance facilities about equally. By using the targeting approach to credit support and with prudent use of our resources, we should be able to support all those cases which are truly needy.

Eximbank has not allocated a specific proportion of its budget for small business, but rather has considered each case presented to it on its merits. My records indicate that at June 30, 1981, 36 percent of our active suppliers were small businesses. This figure includes businesses with a net worth of $5 million of less or annual sales of $10 million or less, and does not include sub-suppliers which may be small. On an authorization basis, 13 percent of all outstanding authorizations or just under $2 billion, at June 30 were to small businesses.

While more can always be done to assist and encourage small businesses, I believe our programs and initiatives have encouraged and are encouraging many small businesses to either enter the export area or to expand their export efforts. Our toll free hot line and seminar programs provide the small business community with direct access to Eximbank and its professional loan officers. We do not anticipate curtailing any of our programs for small business. By letter of October 15, 1981, our Congressional Relations Officer forwarded to you the list of our two-day briefing program.

Please contact me if you have any further questions.

Very truly yours,

JOHN D. BIERMAN,
Senior Vice President.

Mr. LYNCH. You mentioned the Small Business Administration. And, in their defense, I think they are probably just really getting into this export area. But, how have your meetings with them gone so far? Are they willing to come to you as well as you going to them? We had complaints yesterday that basically one has to go to the SBA rather than the other way around.

Mr. BIERMAN. I think you hit it on the head when you said they are just getting involved in the international area. We have been working with them now quite actively for 4 or 5 years. We've had very good liaison and good results in our discussions with them. I think the first real output or result of this will be the preexport financing program that we helped SBA develop. I think the regulations are about to be published in the Federal Register or will be very shortly.

But, they do seem to have an interest in the international activities which was not always the case in the past. They have had a lot of priorities in that agency, and, exporting has not been the highest of those priorities. We see that changing somewhat now and hope that the relationship and their emphasis on exporting will increase. But, yes, they have come to us as well as we going to them with problems.

Mr. LYNCH. How have the budget cuts affected (a) the amount of money you're going to have to a small business; and (b), have there been any effects as far as staff support in these areas?

Mr. BIERMAN. To this point, the budget cuts have not affected the programs for small business. The programs that are directly responsible for the small business exporter are insurance and guarantee programs which have not been subject to budget cuts at this point. We still feel that we have adequate personnel and adequate budget resources to properly administer any small business requests that come our way. That has not been a problem.

Mr. LYNCH. You mentioned the fact that exporting is not appropriate for all small businesses. I concur with that statement. Is there a particular industry which you could point out to us where you feel small business has not really started getting into the export field?

There is perhaps a lot more work to be done where other small businesses are already actively involved.

Mr. BIERMAN. Generally, I would have to say the small manufacturer. Most of the small businesses that approach us are exporters of consumable goods, commodities, maybe export management companies rather than manufacturers. I think there are a lot of companies around the United States who manufacture a very fine product and are not aware of the export market. It is this clientele that I would like to reach most appropriately.

I think there is where the real increase in export activities will come.

Mr. LYNCH. The political risks that you insure small business of, what are some examples of those? I guess you are talking about overthrow of a government or something.

Mr. BIERMAN. These risks are: war risk; loss due to revolution; civil disturbance; confiscation of a buyer's property by the host government; convertibility, that is problems where a buyer may make local currency payments but funds cannot be converted into dollars in that particular marketplace. So, we would indemnify the insurance in those cases. Cancellation of an export-import license due to no fault to the buyer or seller.

Mr. LYNCH. I'm not that familiar with OPIC. Where is the difference in where they become involved in insurance?

Mr. BIERMAN. For OPIC involvement there generally has to be investment by a U.S. company in the overseas buyer or procurer in the overseas contractor, whatever it might be. In the programs in the Export-Import Bank, they are tied to the export of the U.S. goods or the U.S. service and in almost every case, the foreign buyer is strictly a foreign national with no U.S. investment at all in the buying entity.

Mr. LYNCH. Mr. Chairman?

Mr. IRELAND. Excuse me for being absent, Mr. Bierman. Let me get you to discuss a few points a little bit more fully. I guess what I would like to seek is the measure in people's minds of how the Export-Import Bank is usually categorized, I think the figure is quite a substantial percentage that goes to large businesses.

Obviously, that is on a dollar volume basis. I think it would be helpful for our record to put that part to rest. I am aware that you do deal with a lot of small businesses. But, maybe you can elaborate a little bit to get that cloud out that Export-Import has been facing for some years.

Mr. BIERMAN. I would be happy to, Mr. Chairman. The support of the Export-Import Bank by dollar volume is almost divided equally between our project lending area and what we call supplier credit, where we would guarantee or insure U.S. exporters against the political and commercial risks of dealing abroad. The latter programs are guarantee and insurance programs. There, a good part of our activity is geared toward the smaller exporter, where they are selling items on a short-term or medium-term transaction to public and private sector buyers overseas.

We, in the guarantee and insurance program, handle between 95 and 97 percent of the numbers of applications that come in through Export-Import Bank. Again, it amounts to about 50 percent of the dollar volume. These are high volume and relatively low unit value programs, which added up last year to about $8 billion in support. Our figures show as of June 30 that 30 percent of the exporters were small business by our definition of small business, which is $5 million of net worth, $10 million of sales or less.

Mr. IRELAND. Excuse me. Why do you use a different definition than just pulling it out of a small business statute?

Mr. BIERMAN. Frankly, we felt that the definition that the small business statute used was not really appropriate to the activity that we have at the Export-Import Bank. We felt that the definition that we used was more recognizable of a true small business than the definition that SBA uses. We also find, Mr. Chairman, I think this is a point that I emphasized in my testimony, but I don't think it has been emphasized enough, when we do make project loans available, the majority of them do go to a major U.S. company, which are the companies that go out and bid and win projects. But, the support goes also, not only to that company, but to the subcontractors and subsuppliers to the major exporter.

Subcontractors may not even know that their livelihood is tied to export sales. They just know they are selling to Boeing or Westinghouse. Boeing indicated to us they supported between 2,100 and 2,200 small businesses in the last year in their particular activities.

One of the other leading manufacturers indicated from a job standpoint that 31,000 jobs are tied to export but when you take in the jobs from nonaffiliated companies, if you will, from subsuppliers or subcontractors, that blossoms to 93,000 jobs that are tied to the exporting activity of that company.

So, in our major contract areas, yes, we do give a lot of support to a lot of major companies who are the ones that happen to win the project. But, through that mechanism, a greater proportion is given to the small business community. It's very difficult to quantify those figures.

Mr. IRELAND. One last question on my part. Earlier in your testimony, you stated that, on page 2, that you estimate that fewer than half of the smaller American firms which have export sales potential are actually exporting. I guess my question here is, as a former banker before I got reincarnated into this job and having worked with the small business export operations and such, I would challenge your figure. Everything in testimony that we get from the Department of Commerce and various State organizations, is that probably, I guess my figure would be 5 percent of the

firms that could potentially export are actually doing it, not 50 percent. Does that shock you?

Mr. BIERMAN. I left myself wide open, Mr. Chairman, by saying less than half. I can't quantify a specific figure. But, I feel that that is some of the difference between my testimony and those that you may receive from other agencies, the definition of who should be exporting. As I also mentioned, exporting is not really appropriate for many of the small businesses in the United States. I have indicated in response to questions by the minority counsel, that I think we should try to gear small business exporting support to small manufacturers for example.

We do have a product to sell overseas and may not know the programs of the Bank. I do think it is less than half. But, whether 5 percent is the appropriate figure or 25 percent, it is difficult for me to quantify.

Mr. IRELAND. That's fine. Mr. Bierman, we thank you very much. We appreciate your testimony.

We are adjourned.

[Whereupon, at 11 a.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

○